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THE OLDEST AND POOREST SOCIAL SECURITY BENEFICIARIES

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

MAY 23, 1989

Serial 101-16

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THE OLDEST AND POOREST SOCIAL SECURITY BENEFICIARIES

TUESDAY, MAY 23, 1989

House of Representatives,
Committee on Ways and Means,
Subcommittee on Social Security,
Washington, DC.

The subcommittee met, pursuant to notice, at 1 p.m., in room B-318, Rayburn House Office Building, Hon. Andy Jacobs (chairman of the subcommittee) presiding.

[The press release announcing the hearing and background material follow:]

FOR IMMEDIATE RELEASE
TUESDAY, MAY 9, 1989

PR #5
SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE ANDY JACOBS, JR. (D., IND.), CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A HEARING ON THE OLDEST AND POOREST SOCIAL SECURITY BENEFICIARIES

The Honorable Andy Jacobs, Jr. (D., Ind.), Chairman of the Subcommittee on Social Security, Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will hold a hearing on the oldest and poorest social security beneficiaries. The hearing will be held on Tuesday, May 23, 1989, beginning at 1:00 p.m., in room B-318, Rayburn House Office Building.

Although poverty among the elderly has been declining for a number of years, there remains a group which is disproportionately poor: the "oldest old," who are age 85 and older. While the poverty rate for all persons age 65 and older is only 12 percent, the rate for those 85 and older is nearly double that amount. Moreover, aged widows -- who make up 54 percent of the oldest old population not in a nursing home -- have a poverty rate of almost 40 percent.

The Subcommittee hearing will take up the questions of why the oldest old have a disproportionately high rate of poverty and what role social security benefits play. The hearing will include an investigation of the income sources and the demographic characteristics of this group, as well as an examination of why social security benefits are lower on average for this group than for younger retirees. The Subcommittee would like to hear witnesses' views about the scope of the problem and their proposed solutions to the problem of a disproportionately high rate of poverty among the oldest old.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Harriett Lawler or Diane Kirkland [(202) 225-1721] by noon Wednesday, May 17, 1989. In order to facilitate scheduling, requests should indicate the specific issues that the witness wishes to address. The request should be followed by a formal written request addressed to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions regarding a scheduled appearance should be directed to the Subcommittee staff [(202) 225-9263].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY APPLIED. The full written statement will be included in the printed record.

In order to assure the most productive use of the limited amount of time available to question witnesses, those scheduled to appear before the Subcommittee are required to submit 100 copies of their prepared statements to the Subcommittee on Social Security office, room B-316 Rayburn House Office Building, at least 24 hours in advance of their scheduled appearances. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENT IN LIEU OF PERSONAL APPEARANCE:

Persons submitting written comments for the printed record of the hearing should submit six (6) copies by the close of business, Tuesday, June 6, 1989, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing a written statement for the record of the printed hearing wish to have their statements distributed to the press and the interested public at the hearing, they may provide additional copies for this purpose to the Subcommittee, room B-316 Rayburn House Office Building, on the day of the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will **not** be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and public during the course of a public hearing, may be submitted in other forms.

ANDY JACOBS, JR., INDIANA, CHAIRMAN
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KAREN R. WORTH, SUBCOMMITTEE MINORITY

May 18, 1989

Memorandum

TO: Members of the Subcommittee on Social Security

FROM: Sandra Casber Wise
Staff Director

RE: May 23 hearing on oldest and poorest social security beneficiaries

On Tuesday, May 23 at 1:00 p.m., the Subcommittee on Social Security will hold a hearing on the subject of the oldest and poorest social security beneficiaries -- those age 85 and older.

I. Income Status of the Oldest Old

Although poverty among the elderly overall has been steadily declining for a number of years, the so-called "oldest old" have not shared in this good fortune. They have a higher rate of poverty and less income than the "younger old," age 65-84.

A disproportionately large number of the oldest old have incomes below the poverty line -- less than about $5900 for an individual or $7500 for a couple. While the poverty rate for all persons age 65 and older is only 12 percent, the rate for those 85 and older is nearly double that amount. Moreover, aged widows -- who make up 54 percent of the oldest old population not in a nursing home -- have a poverty rate of almost 40 percent, or two out of five.

The picture worsens when those with incomes just above the poverty line are included. Among the elderly of all ages, one-fifth have incomes below 125 percent of the poverty line, or less than $7400 for an individual and $9300 for a couple. For the oldest old, the near-poverty rate is 40 percent. And for non-married women age 85 and over, one in two have incomes of less than $7200 per year.

The average income from pensions and earnings of persons age 85 and older is lower than that of the elderly in general.

The oldest old are less likely to have pension income than younger retirees, and when they do have a pension, it is smaller than that of the younger old. A substantial majority of very aged widows do not receive any income from pensions.

The oldest old are also less likely to have income from earnings than the younger old. While a sizeable minority of those age 65-74 report income from employment, only 5 percent of the oldest old have income from earnings. Moreover, the average amount of these earnings is just over half the amount earned by younger retirees.

II. Women Among the Oldest Old

The oldest old are disproportionately female and non-married (most often, widowed). There are twice as many women as men in this age group. Excluding those who are institutionalized, half the men are married but only one in ten of the women have husbands who are still alive.

The large number of women, particularly widows, among the oldest old helps to account for the high incidence of poverty among this group. When the husband dies, the social security income coming into the household drops by one-third. The poverty rate for those age 85 and over is worse for women than for men. Non-married women in this age group are three times as likely to have below-poverty incomes as married women. In fact, at any age widows have a higher rate of poverty than married couples. For example, married couples age 85 and older have a poverty rate that is only half that of non-married women age 65-69.

III. The Role of Social Security Benefits

The oldest old are more dependent on social security income for support than the younger old. Almost 40 percent of those age 85 and over are dependent on social security for 90 percent or more of their monthly income. And for one in five of the oldest old, social security is the only source of income. Of all beneficiaries age 65 and over, only one-quarter depend on social security for 90 percent or more of their income, and only 14 percent are wholly dependent on their social security check.

The higher rate of dependency on social security as the primary or sole source of income is troublesome because average social security benefits are lower for this group. The average benefit received by those age 65-84 is about $515 per month. The average benefit received by those 85 and older is about $473. This is a difference of $42 or 8 percent. Looking at disparities in the benefit level based on marital status in combination with age, rather than just age, results in a difference of 21 percent. That is, the largest portion of retirees age 65-84 are retired male workers and their spouses. The average benefit paid to male retirees age 65-84 is $617. Among those 85 and older, widows predominate. The average benefit for these women is $490. This is a difference of $127 per month.

Chairman JACOBS. The Social Security system was designed primarily, as I see it, to prevent wretchedness in old age among American citizens who participate in the program. The purpose of the hearing today is to shed some light on how well that purpose is being accomplished or nearly accomplished with particular emphasis on those above the age of 85 who are Social Security beneficiaries.

Our beginning testimony is from the Congressional Budget Office. Nancy Gordon, Assistant Director for Human Resources and Community Development has enriched our record on previous occasions, and we are pleased to review and have the benefit of your research and wisdom today.

So, please proceed.

STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE, ACCOMPANIED BY RALPH SMITH, CHIEF, EMPLOYMENT AND INCOME SECURITY UNIT, AND ROBERTON WILLIAMS, PRINCIPAL ANALYST

Ms. GORDON. Thank you very much, Mr. Chairman. I would like to begin by introducing Ralph Smith, my deputy for Employment and Income Security, who is seated to my right, and Bob Williams, the author of the report that you are releasing today, who is seated to my left.

While the elderly as a whole are doing quite well, some groups have lower incomes and higher poverty rates than the aggregate statistics suggest. I think the most direct way to summarize the findings in our report is to go through the figures in my statement.

Figure 1 shows the dramatic shift in marital status that occurs as the elderly age. The left-hand bar of this figure shows that among the elderly ages 65 to 69, almost 60 percent are married couples and only about 30 percent are unmarried women.

But as you move across figure 1 to the right to see those who are age 85 and over, this 60/30 split is just about reversed: About 25 percent of the elderly are married couples while almost 60 percent are unmarried women, most of whom are widows.

Turning to figure 2, looking first at the right-hand portion of the figure, we see that the median income of the elderly who are ages 65 to 69, which is shown in the solid black column, was about $15,000 in 1987. Moving over to the right to the dotted bar, we see that the income for those who are age 85 or older was only about $8,000 a year.

The main explanation of this drop in income as the elderly age is that, in fact, they are shifting from being mostly married couples to being mostly widows, which is what was shown in the first figure.

If we look at the left-hand two portions of figure 2, we can see that married couples have higher incomes than single women no matter what their ages. Even the oldest married couples are better off than the youngest of the elderly single women.

Looking at figure 3, we see how unequal the distribution of income is among the elderly. We divided the elderly into five equal-sized groups, which range from the lowest income up to the highest income. Looking at the right-hand portion of the figure we can see that the highest income groups have an average income of about $38,000 a year compared with the lowest income group, which has an average income of only $4,000 a year.

These differences are not the result of Social Security benefits. Social Security benefits in this graph are shown by the black portion of each bar and, as you can see, they are very flat. The difference in incomes among these groups occurs because high-income groups have much more in the way of earnings, pensions, and other income, largely income from property.

Figure 4 concerns assets; the top portion of the figure looks at net worth for the elderly. As the left-hand portion shows, most of the elderly, regardless of whether they are low-income or high-income, do have positive net worth. When you look at the right-hand side of the top panel, however, you can see that the highest-income group has a median net worth of almost $150,000 compared with about $25,000 for the lowest income group. Essentially, then, the asset position mirrors that of income.

Finally, figure 5 looks at who among the elderly are poor, and shows that it is the oldest of the elderly who are most likely to have incomes below the poverty thresholds—that is, less than about $5,900 for individuals this year, and less than about $7,500 for couples.

If you look at the right-hand portion of figure 5, we can see that the poverty rate for all of the elderly who are age 85 or older, shown by the dotted bar, was 24 percent compared with only 10 percent for those who are ages 65 to 69, shown by the solid black bar.

Again, this difference in poverty rates is driven by the same factor as the difference in incomes—that is, as the elderly age, they shift from being largely married couples who tend to have higher incomes to being primarily widows who tend to have much lower incomes.

In conclusion, Mr. Chairman, our analysis makes three main points. First, the elderly as a whole are well-off but there is considerable variation is income among them. Second, the old-old have much lower incomes and higher poverty rates than the young-old, and that that result largely arises from their changing marital status as they age. Third, while many of the elderly have substantial amounts of financial assets, the lower income elderly have relatively small amounts with which they can supplement their incomes, although a substantial portion own their homes.

Thank you. We would be pleased to answer any questions you may have.

[The statement of Ms. Nancy M. Gordon follows:]

Statement of
Nancy M. Gordon
Assistant Director for
Human Resources and Community Development
Congressional Budget Office

Mr. Chairman, I am pleased to appear before this Subcommittee to discuss the economic status of the elderly.1/ Broad measures indicate that the elderly as a group are doing well. Since 1970, their median income has grown faster than that of the nonelderly. Their poverty rate has fallen to an all-time low and is now less than that of the rest of the population. Some groups of the elderly, however, continue to have low incomes, high rates of poverty, and few assets.

A recent analysis by the Congressional Budget Office (CBO) examined the incomes and assets of two groups: unmarried elderly individuals who live alone, and married couples who do not live with any other people and in which at least one spouse is age 65 or over. In 1988, these groups, which are jointly referred to as "elderly units," contained over two-thirds of the elderly population.

My statement today will focus on four topics:

- The relationships among income, age, and marital status of the elderly;
- Inequality of income among the elderly;
- Assets owned by the elderly; and
- Poverty among the very old.

THE RELATIONSHIPS AMONG INCOME, AGE, AND MARITAL STATUS

The "old" old have lower incomes than the "young" old, but their lower incomes result more from the greater likelihood of their being widowed than from their being older.

Figure 1 shows the dramatic shift in marital status that occurs as the elderly age. Among units ages 65 through 69, almost 60 percent are married couples, and about 30 percent are single women. In contrast, by age 85 or older, this 60/30 split is roughly reversed: about 25 percent are married couples and almost 60 percent are unmarried women--mostly widows. (Because of data limitations, CBO's study does not include the elderly who live with people other than their spouses or those who live in nursing homes and other institutions.)

The right-hand portion of Figure 2 shows that in 1987 the median income of elderly units age 85 or older--adjusted for family size using the equivalence scale embodied in the official poverty thresholds--was just under $8,000, or 48 percent below the $15,000 median income of units ages 65 through 69. The shift in the elderly population from predominantly married couples among the "young" old to primarily single women among the oldest elderly explains much of this drop in income with age. In fact, single women and men have lower incomes than couples at every age. Even the oldest couples--those age 85 or over--had a median adjusted income of $11,000, or about one-fifth higher than the $9,000 median income of the youngest group of elderly single women.

INEQUALITY OF INCOME

Income is distributed unequally among the elderly. Low-income elderly people rely heavily on Social Security and, to a lesser extent, Supplemental Security Income (SSI). In contrast, the elderly who are better-off get most of their income from earnings, pensions, and other private sources.

The right-hand portion of Figure 3 shows that, in 1987, units in the top fifth, or quintile, of the distribution had an average income (adjusted for family size) more than eight times that of the poorest fifth -- $38,000 compared with $4,500. Single people are disproportionately represented in the lower quintiles, while married couples predominate among the higher-income groups: in 1987, 60 percent of single elderly women were in the bottom two quintiles for all elderly units, while 58 percent of couples were in the top two quintiles.

Virtually all elderly units received Social Security benefits in 1987, but the receipt of income from other sources was much less universal. In fact, differences in income among groups of elderly are primarily the result of variation in the average amounts of earnings, pensions, and other private income.

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[1] This testimony is based primarily on a Congressional Budget Office Staff Working Paper, "The Economic Status of the Elderly" (May 1989).

The low-income elderly received about 80 percent, or $3,600, of their 1987 income from Social Security and 9 percent from SSI and other means-tested cash transfer programs. In contrast, elderly units in the top income quintile got less than 20 percent, or $7,000, of their total income from Social Security and virtually none from the means-tested programs. Instead, nearly half of the highest-income units had earnings (with an average value for recipients of $22,800) and almost two-thirds had pensions (with an average value for recipients of $11,900).

ASSETS

Unlike the high-income elderly, those with low incomes have few financial assets with which they can supplement their incomes, although a substantial fraction own their own homes.

As the top panel of Figure 4 shows, the distribution of assets among the elderly mirrors the distribution of income. Essentially all high-income units had positive net worth in 1985--with a median net value of almost $150,000. In contrast, only three-quarters of those with low incomes had assets, and those with positive net worth had median holdings of only about $25,000. While elderly married couples were only slightly more likely than single people to have assets, the median net worth of married asset-holders was more than twice as large as for single people with assets (nearly $100,000 compared with less than $50,000). In addition, net worth declines with increasing age.

About 70 percent of elderly units owned their homes in 1985, with a median equity of about $50,000. High-income units were, however, much more likely to have equity in their homes than were their low-income counterparts. Homeownership rates also decline with age, although among homeowners the median amount of home equity varies little by age group.

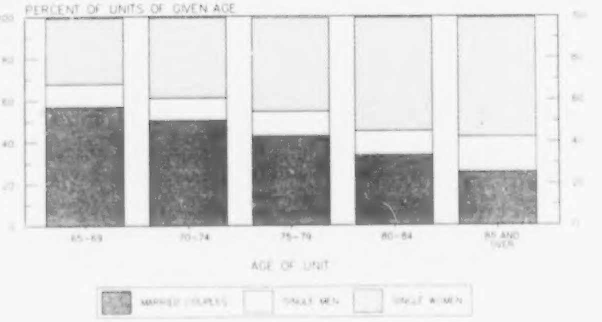
The median value of financial assets--bank accounts, stocks, bonds, and similar holdings--is substantially lower, and its distribution is more uneven. Less than half of the elderly in the lowest income quintile had such assets, and the median value for those who did was only about $4,000. In contrast, essentially all high-income units had financial holdings, with a median value of over $60,000.

POVERTY AMONG THE VERY OLD

Mr. Chairman, in your invitation to appear before this Subcommittee, you asked why the "oldest old"--people age 85 or older--are disproportionately poor. (Elderly individuals and couples were considered poor if their incomes in 1987 were below $5,447 and $6,872, respectively.) CBO's analysis of the incomes of the oldest units confirms that their poverty rate is much higher than that of the young elderly and suggests at least a partial explanation. As depicted in the right-hand portion of Figure 5, the poverty rate of units age 85 and over was 24 percent, or more than double the 10 percent rate of units ages 65 through 69.

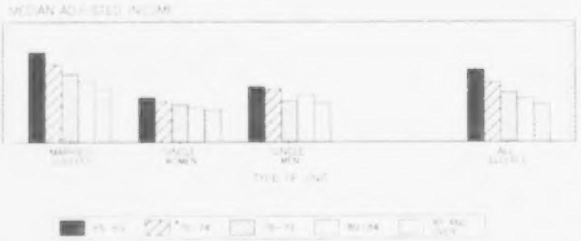
The higher poverty rate for the oldest group is largely associated with phenomena described earlier: units age 85 and over consist primarily of widows and other single women, who are much more likely than married couples to be poor. Indeed, Figure 5 shows that even the 21 percent poverty rate of the youngest elderly single women is twice that of the oldest married couples. While poverty rises with age within each marital status group, these differences are not as dramatic as between married couples and single women.

FIGURE 1. DISTRIBUTION OF ELDERLY UNITS
BY TYPE OF UNIT AND AGE, 1988



SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

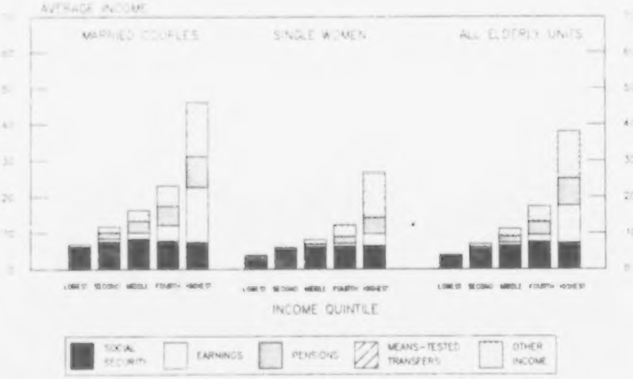
FIGURE 2. MEDIAN INCOME OF ELDERLY UNITS,
ADJUSTED FOR FAMILY SIZE,
BY AGE AND TYPE OF UNIT, 1987
(in thousands of dollars)



SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

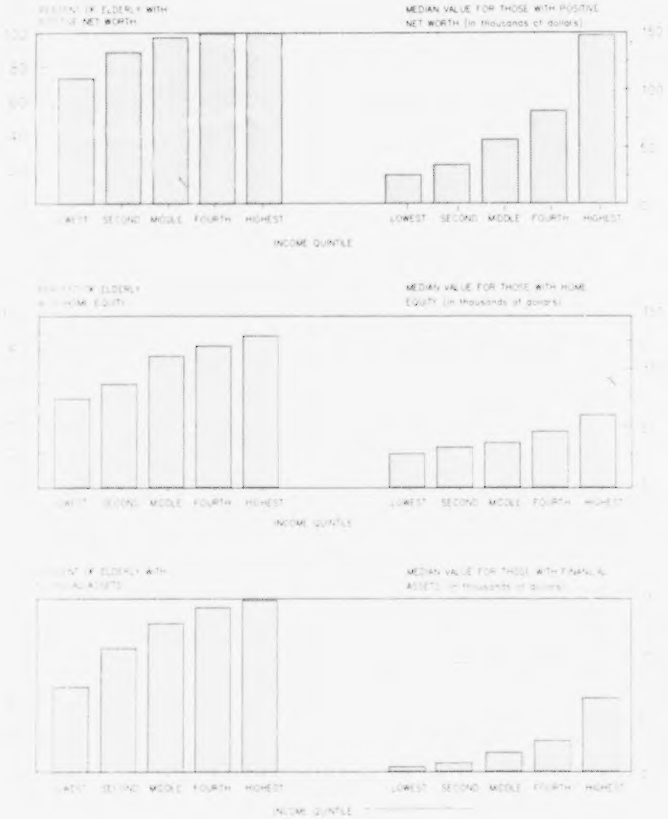
NOTE: Incomes of married couples adjusted for family size by dividing by 1.25.

FIGURE 3. AVERAGE ADJUSTED INCOME OF ALL ELDERLY UNITS,
MARRIED COUPLES, AND SINGLE WOMEN,
BY SOURCE OF INCOME AND INCOME QUINTILE,
1987 (in thousands of dollars)



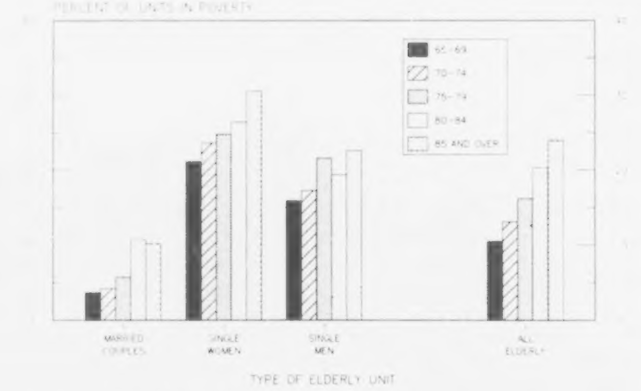
SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

FIGURE 4. ASSETS OF ELDERLY UNITS BY TYPE OF ASSET AND ADJUSTED INCOME QUINTILE, 1985



SOURCE: Congressional Budget Office tabulations of data from the 1984 and 1985 Survey of Income and Program Participation.

FIGURE 5. DISTRIBUTION OF ELDERLY UNITS WITH INCOMES BELOW POVERTY, BY AGE AND TYPE OF UNIT, 1987 (In percent)



SOURCE: Congressional Budget Office tabulations of data from the March 1988 Current Population Survey.

Chairman **Jacobs**. It seems to me there is a play on an old American expression, it is not clear that two can live as cheaply as one, but it is rather clear that one cannot live as well as two in this situation.

What is the solution?

Ms. **Gordon**. It is difficult to know what the solution is, especially given the overall budgetary situation that the Federal Government is facing.

Chairman **Jacobs**. And given the need to straighten things out in the rest of the world rather than here, right?

Ms. **Gordon**. Luckily for me, it is up to you to make all of the hard value judgments.

There are some things that analysts will always suggest, however. If you want to target resources most directly to the people with lowest incomes, one could consider modifying another program that is in the jurisdiction of the Ways and Means Committee—namely, Supplemental Security Income—by raising the Federal guarantee, and perhaps liberalizing the asset test so that more of the elderly would become eligible.

The median value of financial assets that the poorest 20 percent of the elderly have is $4,000, which is more than the amount that you are allowed to have and be eligible for SSI.

Chairman **Jacobs**. But doctor, what is the advantage of the present asset test?

Ms. **Gordon**. Right now the asset test is $2,000 for an individual and $3,000 for a couple.

Chairman **Jacobs**. When was it set? Do you know off-hand?

Ms. **Gordon**. It was gradually raised over the last 5 years.

Chairman **Jacobs**. From what?

Ms. **Gordon**. In 1984, it was $1,500 for an individual and $2,250 for a couple.

Chairman **Jacobs**. So the general level must have some advantage to it.

Ms. **Gordon**. It is not scheduled to be raised farther and it is not an indexed amount.

It is at $2,000 for individuals and $3,000 for couples, as I said, and is not scheduled to rise further than that.

Chairman **Jacobs**. You could not possibly have a better staff person, than the one from Indianapolis, Mr. Williams.

Well, we thank you very much for your contribution to the record. It was as predicted—excellent.

Ms. **Gordon**. You are very welcome.

Chairman **Jacobs**. The next witness, of course, is Mr. Enoff from the Social Security Administration. Welcome back again and again and again.

STATEMENT OF LOUIS D. ENOFF, DEPUTY COMMISSIONER FOR PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Mr. **Enoff**. Thank you, Mr. Chairman. It is good to be here, and with your permission I will summarize my statement that I have submitted for the record. I think you will find what I have to say does not differ significantly, although I will focus on the Social Security beneficiaries.

Social Security beneficiaries age 85 and older currently comprise 10 percent of the beneficiaries age 65 and older, and they are expected, of course, to comprise an increasing percentage due to increases in life expectancy. Therefore I think it is most appropriate that we look at the situation of this group of persons.

Benefits for retired worker beneficiaries age 85 and older are about 10 percent lower than benefits for younger retired workers. A major reason for this difference in benefit amounts is that the Social Security benefit formula was much less generous in the past. That is, replacement rates, initial benefits as a percent of preretirement earnings, were lower for people who are now age 85 and older than initial benefits are for people retiring today.

For example, an average earner reaching age 85 this year had a replacement rate of about 30 percent when he retired at age 65 compared to a 42-percent replacement rate for an average earner retiring today at age 65.

Gender is equally as important as, or perhaps even more important than, age as a reason for disparate benefit amounts. For example, the average retirement benefit for men age 85 and older is $75 less than for retired men age 65 to 84. However, the average retirement benefit for women workers 85 and older is also $75 less than the average benefit for male workers 85 and older, and the average benefit for widows age 85 and older is $65 less.

The difference in benefit levels for men and women is, of course, due to the fact that historically women have had lower paying jobs or have taken time out of the labor force to care for their families. Therefore they are likely to have lower Social Security benefits than men.

Looking at the Social Security benefit amounts alone, however, does not give a complete picture of the financial situation of older beneficiaries. Approximately 17 percent of beneficiaries age 85 and older live in families that have incomes below the poverty threshold compared to 12 percent of beneficiaries age 65 to 74. About 4 percent of beneficiaries age 85 and older who live with other family members have total family income below the poverty threshold while 23 percent of those who do not live with family members are poor.

In 1987, the median yearly income for beneficiaries age 85 and older was 20 percent lower than the median income of those age 65 to 84. Part of the reason for this is that older beneficiaries are less likely to have earnings from work or to receive retirement benefits other than Social Security.

Let me just mention briefly a couple of the proposals and say a few words about the proposals for increasing benefits. You asked that I comment on two ideas to increase Social Security benefits for those age 85 and older—one, a special 10-percent benefit increase and a proposal to eliminate actuarial reduction when a beneficiary reaches age 85. Although the administration has not taken an official position, I would make a few comments.

Proposals which provide benefit increases based on a beneficiary's age would provide increases to beneficiaries who are relatively well-off compared to those who are poor. Since Social Security benefit levels are based on the worker's past earnings and not on factors such as age, gender, and the beneficiary's living arrangements, it is difficult to target this population.

In addition, although beneficiaries who are currently age 85 and older have lower replacement rates compared to workers retiring today, this is not true of workers now in their seventies. Workers born from 1910 to 1916 have the highest replacement rates, because they benefited from the flaw in the pre-1977 benefit formula, which, of course, we know overcompensated for inflation. This increase in benefits for workers at age 85 would in a few years result in higher benefits to workers already getting windfall benefits.

These proposals are also costly, as has been mentioned. A special 10-percent benefit increase would increase Social Security Program costs by $9.5 billion over the first 5 years, and eliminating the actuarial reduction at age 85 would cost $2.6 billion over the same period of time.

In summary, I would like to emphasize our concern about the situation of those beneficiaries age 85 and older, especially since this segment of the population is growing. The administration is committed to protecting the Social Security and SSI programs, and of course, the bipartisan budget agreement provides that no reductions in these programs will occur.

We would be happy to work closely with this subcommittee on concerns about the financial well-being of Social Security beneficiaries age 85 and older.

Thank you.

[The statement of Mr. Louis D. Enoff follows:]

STATEMENT OF LOUIS D. ENOFF, DEPUTY COMMISSIONER FOR PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Mr. Chairman, I am pleased to be here today to discuss the oldest Social Security beneficiaries--those age 85 and older. Since increasing numbers of Social Security beneficiaries are age 85 and older, I think it is most appropriate that we examine the situation of this group. Social Security beneficiaries age 85 and older currently comprise 10 percent of Social Security beneficiaries age 65 and older, and they are expected to comprise an increasing percentage due to increases in life expectancy.

Today, men at age 65 can expect to live 15 more years and women almost 19 more years. This is an increase of 3 years for men and 6 years for women since 1940. As life expectancy continues to increase, beneficiaries age 85 and older will become an even larger part of the beneficiary population. By 2040, life expectancy at age 65 is expected to increase by 2 years for men and 2.5 years for women.

I would like to begin with a general overview of Social Security beneficiaries age 85 and older, including the amount of benefits they receive and how those benefits compare to the benefits of younger retirees. Then, I will discuss the primary reasons for the differences between the benefits and income of beneficiaries age 85 and older and those of younger retirees. Finally, as you requested, I will comment briefly on proposals for increasing benefits for those age 85 and older.

Differences in Benefit Levels for Older Beneficiaries

About 90 percent of the population age 85 and older--about 2.8 million people--are Social Security beneficiaries. About 55 percent of these are retired worker beneficiaries and aged spouses of retired workers. Almost all of the remaining 45 percent are getting widow's benefits.

Benefits for retired worker beneficiaries age 85 and older are about 10 percent lower than benefits for younger retired workers. In 1987, average monthly benefits for retired workers age 85 and older were $471 compared to $527 for retired workers age 65-84.

A major reason for this difference in benefit amounts is that the Social Security benefit formula was much less generous in the past. Replacement rates--initial benefits as a percent of preretirement earnings--were lower for people who are now age 85 and older than initial benefits are for people retiring today. For example, an average earner reaching age 85 this year had a replacement rate of about 30 percent when he retired at age 65, compared to a 42-percent replacement rate for an average earner retiring at age 65 today.

Looking at differences in benefit amounts for older and younger retirement beneficiaries does not tell the whole story, however. Comparing benefits for men and women shows that gender is equally as important as, or perhaps even more important than, age as a reason for disparate benefit amounts.

Let me illustrate this with a few examples. About 30 percent of the 2.8 million beneficiaries age 85 and older are men and 70 percent are women. The average retirement benefit for men age 85 and older is $514 a month--$75 less than for retired men age 65-84. The average retirement benefit for women 85 and older is $439 a month--$17 less than for retired women age 65-84. However, if you compare retirement benefits for men and women workers age 85 and older, the average benefit for men is $75 higher than the average benefit for women. Also, the average widow's benefit for those age 85 and older is $449--$65 lower than the average retirement benefit for men age 85 and older.

The difference in benefit levels for men and women is of course due to the fact that historically women have had lower paying jobs or have taken time out of the labor force to care for their families. Therefore, they are likely to have lower Social Security benefits than men.

Other Factors Affecting the Financial Situation of Beneficiaries Age 85 and Older

Looking at Social Security benefit amounts alone, however, does not give a complete picture of the financial situation of these beneficiaries. We also need to look at the effect that their living arrangements and other sources of income have on their financial situations.

Older retired beneficiaries are more likely than younger retired beneficiaries to live in families with incomes below the poverty threshold. (In 1988, the poverty threshold was $5,672 for an aged individual and $7,156 for a couple with an aged head.) Approximately 17 percent of beneficiaries age 85 and older live in families that are poor compared to 12 percent of beneficiaries age 65-74.

Marital status and living arrangements affect the financial situation of older beneficiaries. For example, 7 percent of married couples age 85 and older have family income below the poverty threshold, while 19 percent of nonmarried beneficiaries age 85 and older are poor. In addition, 4 percent of beneficiaries age 85 and older who live with other family members have total family income below the poverty threshold, while 23 percent of those who do not live with family members are poor.

Older beneficiaries are generally more dependent on their Social Security benefits than are younger beneficiaries, because they have fewer sources of other income. If we look at income from all sources rather than just Social Security benefit levels, we find that in 1987, the median yearly income for beneficiaries age 85 and older was $1,706 (or 20 percent) lower than the median income of those age 65-84. Part of the reason for this is that older beneficiaries are less likely to have earnings from work. In 1986, only 5 percent of beneficiaries age 85 and older had earnings from work compared to 21 percent of those age 65-69. Additionally, beneficiaries age 85 and older are less likely to receive retirement benefits other than Social Security. Only 31 percent of those age 85 and older received such benefits compared to 38 percent of those age 65-69.

In addition, the SSI program provides an income floor for elderly Americans. Approximately 7 percent of Social Security beneficiaries age 85 and older receive SSI payments, and three-quarters of these SSI recipients are women. Further, eligibility for SSI payments makes available other kinds of State and Federal assistance, such as Medicaid.

Benefit Improvements Affecting Older Beneficiaries

At this point I would like to mention some of the features of the Social Security program that are especially helpful to older beneficiaries. The most important feature is the automatic cost-of-living adjustment, which keeps benefits up to date with increases in prices. These adjustments assure that the purchasing power of benefits does not decline after the beneficiary has been on the rolls for a number of years. Beneficiaries now age 85 who retired at age 65 have seen almost a four-fold increase in their Social Security benefits due to ad hoc and automatic benefit adjustments. Social Security cost-of-living increases are especially valuable to older beneficiaries since other sources of retirement income are very seldom adjusted for the cost of living.

Medicare is also an important element in economic security for the very elderly, since with increasing age, retirees may have increased medical care costs.

As I mentioned earlier, most of the oldest beneficiaries are women and most of these women are widows, who are the poorest group of beneficiaries. Several features of the program are specifically directed at providing higher benefits for widows. For example:

- o Widow's benefits have been increased through the years from 75 percent to 100 percent of the deceased worker's basic benefit;
- o Widows are credited with the delayed retirement credits that were earned by the deceased worker; and
- o Special indexing rules apply for computing benefits of widows whose spouses die before retirement age. Specifically, aged widow's benefits are updated by the higher of the increase in wages or prices between the worker's death and the time the widow becomes eligible for Social Security benefits. Since this is a relatively new provision, its effect is not yet reflected in the benefit amounts of older beneficiaries.

Proposals for Increasing Benefits for Those Age 85 and Older

Finally, you specifically asked that I comment on two ideas to increase Social Security benefits for those age 85 and older--a special 10-percent benefit increase and a proposal to eliminate actuarial reduction when a beneficiary reaches age 85.

Although the Administration has not taken a position on proposals to increase benefits for those age 85 and older, I will make a few general comments.

First, proposals which provide benefit increases based on a beneficiary's age would provide increases to beneficiaries who are relatively well-off as well as to those who are poor. Although some older beneficiaries are, without question, poor, this is by no means true of all, or even most of them. For example, over 16 percent of beneficiaries age 85 and older have incomes above $15,000 and 5 percent have incomes above $25,000.

In addition, although beneficiaries who are currently age 85 and older have lower replacement rates than workers retiring today, this is not true of workers who are now in their seventies. Workers born from 1910 to 1916 have the highest replacement rates of any group of workers, because they benefited from the flaw in the pre-1977 benefit formula, which overcompensated for inflation. A worker with average earnings born in 1916 had a replacement rate of nearly 55 percent when he retired at age 65 compared to 42 percent for a similar worker reaching age 65 today and 30 percent for a worker now age 85. Thus, increasing benefits for workers at age 85 would in a few years result in even greater benefits to a group of workers who already are getting windfall benefits.

Another consideration is that the difference in benefits between male and female beneficiaries is equally significant as the difference between younger and older beneficiaries. Further, poverty among the aged seems more directly related to living arrangements and marital status than to age; beneficiaries who do not live with other family members are more likely to have incomes below the poverty level.

Since Social Security benefit levels are based on the worker's past earnings--and not such factors as age, gender, and the beneficiary's living arrangements--it is difficult to target the needy older population by increasing Social Security benefits.

Because these proposals would increase benefits for all beneficiaries age 85 and older, not just those who are needy, they would significantly increase the cost of the Social Security program. A special 10-percent benefit increase would increase Social Security program costs by $9.5 billion over the first 5 years, and eliminating actuarial reduction at age 85 would cost $2.6 billion over the same period.

Finally, both of these proposals would significantly complicate the administration of the program and require extensive changes in our automated systems.

The 1979 Advisory Council on Social Security considered the special needs of older beneficiaries and even looked at providing a special 10-percent benefit increase. However, the Council did not recommend any change in the Social Security program for many of the same reasons I have mentioned today. Instead, the Council recommended that the problems be dealt with by programs other than Social Security, such as SSI and social services.

Conclusion

In summary, I would like to emphasize our concern about the situation of beneficiaries age 85 and older, especially since this segment of the population is growing. The Administration is committed to protecting the Social Security and SSI programs, and the bipartisan budget agreement provides that no reductions in these programs will occur.

We would be happy to work closely with this subcommittee on concerns about the financial well-being of Social Security beneficiaries age 85 and older.

Chairman **Jacobs**. Is it true that some studies show that a significant number, particularly of the very elderly who are eligible for SSI, do not apply for it?

Mr. **Enoff**. I think, yes, it is true. We have done some outreach activities. AARP, I think, is scheduled to testify. They have done some outreach activities. There is some portion—as a matter of fact, I believe something on the order of 10 percent or so of those 85 and older receiving Social Security benefits who receive SSI benefits. Let me see if I can find that for you.

Chairman **Jacobs**. The 10 percent who do get the word.

Mr. **Enoff**. Who do get the word. We cannot pinpoint why the percentage is low. We have been trying to determine what it is that causes this. In some cases, of course, the people, when they retired and were told about SSI may have had resources that they spent down over a course of 20 years, and then they would have become eligible.

So we are working with organizations in trying to come up with ways of reaching those persons. Of course the SSI benefit level, as we know, might not solve the whole problem for some of those persons. There are large numbers of persons who might receive a small Social Security—relatively small Social Security—check and some other income that would just put them over the level of being eligible for SSI.

Chairman **Jacobs**. I guess I am a little bit rusty on one thing. A surviving spouse of a worker who receives a spousal benefit, is the special minimum applicable to that or does he or she simply follow in the footsteps of the worker?

Mr. **Enoff**. Of the worker. The widow, now, could get 100 percent of what the worker would have received.

Chairman **Jacobs**. So if the worker were a——

Mr. **Enoff**. The special minimum is only for the worker.

Chairman **Jacobs**. Right. If the worker had been a charwoman for 45 years working harder than most of us do but making less than almost anybody does, the special minimum would apply, and her spouse would stand or kneel on her knees, or something.

Mr. **Enoff**. I did find the figure, Mr. Chairman. It is 7 percent of the Social Security beneficiaries aged 85 and older who also receive SSI. I cannot tell you how many others are eligible or might be eligible, but we do know that maybe 20 percent would appear to receive a benefit that is lower than the SSI benefit level.

Chairman **Jacobs**. You really wonder about that outreach problem. One gathers that on the local level there are social workers, people who ought to be knowledgeable who might advise or act for a person at that age.

Mr. **Enoff**. I think some of the activity that has been done, Mr. Chairman, would show that some special outreach by various groups—whether they be social advocacy groups, religious groups, those that are in the community and are in touch with these individuals—would be very helpful in getting that word out.

It is very difficult to gather potentially eligible people together to talk with them as we can for workers.

Chairman **Jacobs**. Sure. One wonders, too, that those who are currently octogenarians, if the fact that they grew up in an era, I guess I would have to say of greater individual responsibility whose lives and whose environments were less characterized by "the world owes me a living," or the presumptuous attitudes, I think, of all of us really in the later life of our country, so far, distinguish that way; and they suffer in silence.

Mr. **Enoff**. And some who do not want to put up with the going through all of the application process that gets into much greater detail about the person's status than the Social Security application.

So there are a number of factors, and as I say we would be pleased to work closely with you on trying to target this area. I do not have a solution.

Chairman **Jacobs**. No, I do not think it is a matter of criticism of the Social Security Administration or the Social Security law. I just have an idea that 80 years from now the people that same age might raise a little more hell, and that might be a factor. I do not know which way there is around that. A man does not live by bread alone. That is true for women, as well, at 85. So it is probably a matter of dignity and pride to some extent with a lot of people, as well, but when it comes to being cold or being hungry it is probably ill-placed pride if not false.

Mr. **Enoff**. That is particularly of concern when we find, as CBO stated and our figures indicate, living alone much more likely puts you in a category to have lower benefits, so that these are persons who are most vulnerable.

Chairman **Jacobs**. Well, thank you very much for your contribution to the record.

Our first panel consists of Ms. Glasse, representing the Commonwealth Fund Commission on Elderly People Living Alone and the Older Women's League. Ms. Glasse is president of the Older Women's League, and the Villers Foundation represented by Mr. Ronald Pollack.

STATEMENT OF LOU GLASSE, PRESIDENT OF THE OLDER WOMEN'S LEAGUE, MEMBER, COMMONWEALTH FUND COMMISSION ON ELDERLY PEOPLE LIVING ALONE

Ms. **Glasse**. Thank you, Mr. Chairman. I appreciate the opportunity to testify both on behalf of the Older Women's League and the Commonwealth Fund Commission on the Elderly Living Alone.

Because of the data having been submitted to you earlier, about most of the demographic data, I am going to try to skip some of that and go more directly to this subgroup of the Social Security beneficiaries, the ones who are hurting most critically.

There are some 3.5 million elderly who live below the poverty line, three out of four are women. Two million elderly, the majority of whom are women, are old, alone, and poor. Over 40 percent of older black women are poor.

Women now over age 85 were in their twenties and thirties during the Depression. Many were raising families during this troubled economic era and following war. Some entered the work force to help the war effort and provide economic security for their families. Some were teachers, nurses, and social workers who received low wages and little if any pensions. Still others were domestic and farm workers who had little security.

All these women were pioneers of today's working women, yet their work was probably not covered by Social Security until they were nearing their own retirement.

The problem with the elderly poor is to a substantial degree a problem of widow's poverty. A recent study conducted by the Commonwealth Fund Commission on why single elderly persons are poor found about half of the widows were not poor before the death of their husbands.

Second, a husband's death could cause his widow's poverty in several ways, including the burden of medical and funeral expenses and the loss of pension income.

Third, husbands of poor widows had worse health and retired earlier. They had also earned less when they worked. All of these factors suggest lower income relative to needs during the family's working years resulting in less savings and fewer assets for the widows.

For the widows, Social Security benefits of surviving spouses are typically two-thirds of that previously received by the couple. Even though the basic costs of living, such as rent, heat and electricity, continue at the same level.

Furthermore, women's longevity oftentimes can be a mixed blessing. Health care costs from a spouse's illness or her own quickly devour any nest egg. This longevity gap is projected to continue into the foreseeable future. Studies by the Commonwealth Fund project that poverty among older women will not abate over the next 30 years, and that changes in policies will be necessary if we are to eliminate impoverishment among the very old.

Our recommendations are the following: the Older Women's League and the Commonwealth Commission recommend, in order to prevent poverty among the country's older citizens, one, reform should be enacted regarding survivor's benefits. The current system whereby the widow receives her husband's Social Security benefit is not sufficient in light of the increase health care costs before the husband's death and possible loss of pension income upon his death.

The Commission is currently sponsoring a study that will analyze the possibility of allowing married couples to choose reduced benefits in order that the surviving spouse could receive a higher benefit than under the current system.

Two, for retired workers over 85, a more equitable formula to determine benefits should be implemented. Female and minority beneficiaries drawing benefits on their own work records worked for many years before civil rights laws were enacted prohibiting employment discrimination or requiring equal pay for equal work. An adjustment should be way in the way benefits are calculated to ignore, to the greatest degree possible, earnings from a very long time ago so that these female and minority retired workers are no longer suffering because of past discrimination.

The special minimum benefit also should be increased.

Three, credit should be given for years spent caring for children or seriously ill adults. We can no longer tolerate a Social Security system that penalizes women for taking care of children or parents or spouses. Either the care giver should receive credit toward her

Social Security benefits for those years or, at the very least, no zero should be attributed for those years in computing benefits.

Fourth, spouses who have to take early retirement to take care of a seriously disabled husband, parent, or other relative should not be forced to take reduced Social Security benefits for the rest of their lives because of being forced into early retirement by care giving responsibilities. These care givers should receive the same Social Security benefits they would have been eligible for if they had reached full retirement age.

Last, we believe the Social Security system should adopt an earnings sharing approach to calculating benefits whereby the marriage should be treated as an economic partnership and that benefits earned during the marriage would be split equally between the husband and wife.

Although the language of the Social Security Act is gender neutral, the system best meets the need of a family model that is no longer typical, the current system best protects a family consisting of a lifelong paid worker, a lifelong unpaid homemaker, and their dependent children—currently less than 10 percent of the total number of households.

In conclusion, we cannot be a nation satisfied with our accomplishments with so many grandmothers and grandfathers impoverished. The Older Women's League and the Commonwealth Fund Commission look forward to working with you and your staff to speedily implement solutions and provide economic security to the Nation's oldest poorest citizens.

Thank you.

Chairman JACOBS. Thank you, Ms. Glasse.

[The statement of Ms. Glasse follows:]

STATEMENT OF LOU GLASSE, ON BEHALF OF THE OLDER WOMEN'S LEAGUE AND THE COMMONWEALTH FUND COMMISSION ON ELDERLY PEOPLE LIVING ALONE

Thank you, Mr. Chairman for this opportunity to submit testimony on the oldest and poorest Social Security beneficiaries. The Social Security Program represents one of the most important benefit programs to the elderly population, and since its advent, poverty rates among this group have dropped considerably. Yet poverty rates remain high for certain vulnerable subgroups of the elderly population. In fact, almost two million elderly people, the majority of whom are women, face a difficult set of circumstances: they are old, alone, and poor. The elderly who live alone often lack the essential economic, physical, and emotional support that can mean the difference between a dignified old age and a spiralling deterioration.

I would like to share with the Committee new information on the economic plight of this subset of the elderly population and discuss the important role the Social Security Program could have in alleviating the financial burden borne by many of those living alone in old age.

Poverty Among Elderly People Living Alone

Of the 27 million non-institutionalized elderly persons in the U.S. at the present time, almost 9 million face a complicating factor: they live alone. Two-thirds of the elderly who live alone are widows, many of whom suffered a sharp decline in income following retirement or the death of a spouse. Half of the elderly living alone are over the age of 75; close to half are in fair or poor health.

Those who live alone do not share in the general economic prosperity that faces elderly couples. In 1987, the "poverty line" for an elderly single person was $5,393 -- or $104 per week. There can be little doubt that this level of income represents real deprivation, where hard choices among the necessities of food, shelter, and medical expenses are a daily reality. Poverty rates for those who live alone in 1987 were estimated to be 19 percent -- five times as high as the poverty rate for elderly couples. About 1.7 million elderly living alone are living in poverty, including approximately 1.4 million elderly women and approximately 1.1 million elderly widows.

Among elderly people who live alone, the incidence of poverty is dramatically higher among minorities -- 43 percent for blacks and other nonwhites and 35 percent for Hispanics -- compared with a poverty rate of 16 percent for white elderly people living alone.

In addition, many elderly who live alone have incomes just slightly in excess of the poverty level, particularly the older elderly who live alone. In 1987, about 49 percent of all elderly living alone aged 75 or older had incomes below 150 percent of poverty compared to 38 percent of those aged 65 to 74. However, these estimates do not take into account the toll of medical expenses. A recent Commission report reveals that when medical expenses are considered, poverty among elderly people living alone increases from 19 to 27 percent.

Causes of Poverty Among Elderly People Living Alone

The causes of poverty among the elderly living alone can be better understood by examining the sources of income available to this group. Social Security benefits comprise 79 percent of the incomes of the poor elderly, Supplemental Security Income (SSI) contributes about 14 percent, while employment earnings, employer pensions, and income from assets taken together contribute only 7 percent. On the other hand, moderate to high income elderly persons living alone depend upon Social Security benefits for only 22 percent of their total incomes, while income from assets contributes 52 percent, employer pensions 13 percent, and employment earnings 12 percent.

The obvious dependence of the poor and near poor elderly on Social Security benefits illustrates the importance of ensuring adequate benefit levels to recipients. However, the treatment of widows under the Social Security Program is likely in many cases to contribute to the risk of poverty for these women. Married couples receive Social Security benefits equal to 150 percent of the primary earner's primary insurance amount (PIA), if the primary earner retired at age 65. When a woman's husband dies, she will begin to receive a Social Security benefit equal to 100 percent of the PIA, or a one third reduction in the couple's previous social security benefits. Yet most of her fixed living expenses will remain unchanged after her husband's death. The very fact that the poverty rate among elderly widows is so high strongly suggests that the reduction in benefits upon the death of a spouse is too great. In fact, comparing the poverty threshold for a single elderly person living alone to the poverty threshold of a couple, reveals a difference of only 21 percent. This suggests that, at lower levels of income, a single person's need is significantly greater than that provided by the Social Security survivor's benefit. Surviving spouses will receive even lower benefits if their spouses retired before age 65.

In addition to the structure of Social Security benefits, a recent study conducted for The Commonwealth Fund Commission on Elderly People Living Alone provides important new data on why single elderly persons, and widows in particular, are poor. The study finds that:

- About half of widows were not poor before the death of their husband.
- A husband's death can cause his widow's poverty in several ways:
  - Medical and funeral expenses consume resources;
  - Pension income is frequently lost.
- Husbands of poor widows had worse health and retired earlier. They also earned less when they worked. All of these factors suggest lower income relative to needs during the family's working years, resulting in less savings, and finally resulting in the very low asset incomes of the elderly who live alone.

In all, the causes of poverty among the elderly living alone are complex. For many elderly persons who were not poor earlier in life, high inflation in the 1970s eroded the value of many sources of retirement income; savings accounts lost purchasing power as did some pension and annuity incomes. For other elderly persons, rapidly escalating medical costs and unexpectedly longer life spans stretched savings thin.

Future Trends

Given current policies and benefit structures, the Commission has estimated future trends in poverty among elderly people living alone -- using a microsimulation model developed by ICF, Inc. The ICF estimates take into account changes in female labor force participation and the growth in retirement benefits under Social Security and private pension programs including improvements in pension coverage that will result from recent legislative changes.

Between 1987 and 2020 the number of elderly people living alone will increase from 8.8 million to 13.5 million. Given the expected growth in the economy, improved work histories, and pension law changes, it might be expected that poverty among the elderly living alone would be markedly reduced. Yet, ICF estimates indicate that poverty among elderly people living alone will not decline by the year 2000 -- but rather continue to average about 19 percent. By the year 2020 poverty among this group will drop only slightly to 15 percent. In absolute numbers, the number of poor elderly living alone will increase from 1.7 million in 1987 to 2 million in 2020. Poverty among elderly people living alone age 75 and over will rise from 22 percent today to 25 percent at the turn of the century and then level off. Although poverty rates for elderly couples and for elderly men will fall markedly, elderly women will continue to suffer high rates of poverty through the year 2020 -- further widening the disparities in economic security among subgroups of the elderly.

Among elderly women, it is estimated that in the year 2020 widows will be more likely to be in poverty than elderly persons in any other marital status group. Among elderly people living alone, about 18 percent of widows will be in poverty compared with about 12 percent of those who are divorced and about 11 percent of those who were never married. Only about 3.6 percent of widows will have been in poverty in the year prior to becoming widowed, indicating that the loss of income at the time a spouse dies is a major reason for impoverishment among the elderly.

A key question is why the poverty rate among the elderly living alone remains largely unchanged through the turn of the century. The most important reason is a demographic one. Due to declining mortality rates and a shift in the age structure of the population, the average age of the elderly living alone will increase over the years from 1987 to 2005. Because persons age 85 and over are the poorest of the elderly, it is not surprising that the poverty rate for the elderly living alone does not decline during the next 15 years. As the aging population depletes their assets and the buying power of pensions is eroded, the proportion of elderly living alone below the poverty level will tend to remain high. Despite greater participation of women in the labor force, employment will not lower the poverty rates among elderly people living alone as women tend to work in low-paying jobs without health and pension benefits.

Methods to Alleviate Poverty Among Elderly People Living Alone

Certainly it is clear that poverty rates among elderly people living alone are unacceptably high. And, if present trends continue, poverty rates will remain high and even increase for the most vulnerable group of elderly, that is, widows over the age of 75. As we seek solutions to this problem, two major government programs must be thoroughly considered: the Supplemental Security Income Program (SSI), and the Social Security Program.

A major question which may arise when analyzing the poverty rates is why the Supplemental Security Income Program (SSI) does not eliminate poverty among the elderly. There are three basic reasons: the SSI eligibility level is set below the poverty level, the SSI program has a stringent assets tests for eligibility, and only about half of those eligible for SSI participate in the program. Raising income and asset eligibility levels and conducting outreach to improve program participation would enable SSI to fulfill its potential as an income security program. Such improvements could reduce poverty immediately among elderly people living alone from 19 percent to 12 percent. About 600,000 persons living alone who are poor would no longer be poor. Of these, 400,000 are widows.

Similarly, a large part of the problem of elderly poverty may be alleviated by changing the way that Social Security benefits are calculated. Because Social Security benefits are the major source of income of poor elderly people living alone, increasing their benefit level could dramatically reduce the poverty experienced by this group. The Commonwealth Fund Commission on Elderly People Living Alone is currently sponsoring a study which will analyze the possibility of allowing married couples to opt for a reduced benefit in order that the surviving spouse could receive a higher benefit than under the current system. The Commission is also interested in the issue of earnings sharing, wherein both spouses would be credited with half the combined earnings of the couple, and subsequent Social Security benefits would be based on this shared earnings amount. Another option worthy of analysis involves giving credit for years out of the work force spent providing care for dependents.

Improving Social Security benefits could markedly reduce poverty in future years among one of the most vulnerable groups of our population. I applaud the Subcommittee for its willingness to study the options for achieving this high priority goal. Thank you.

Chairman JACOBS. Mr. Pollack.

STATEMENT OF RONALD F. POLLACK, EXECUTIVE DIRECTOR, THE VILLERS ADVOCACY ASSOCIATES

Mr. POLLACK. Thank you, Mr. Chairman.

I would like to commend you for holding this hearing. The oldest and the poorest Social Security beneficiaries will certainly benefit from increased public scrutiny. This is a group truly in need of additional assistance from the Social Security system.

In my testimony today, I will describe the circumstances and needs of the oldest-old, and propose ways in which the Social Security Administration can address those needs.

The two most impoverished groups in our country are children under 18 and persons over 85, those least able to defend themselves.

As of 1987, the poverty rate for children was 20.6 percent. Among those 85 and older, 19.9 percent of widowed men live in poverty, 22.1 percent of widowed women live in poverty, and 32.1 percent of single women who never married live in poverty.

The elderly poor depend almost entirely on Social Security and supplemental security income for their support. As of 1987, poor elderly households received 70 percent of their income from Social Security and 11 percent from public assistance, predominantly SSI. By comparison, Social Security accounted for only 42 percent of the income of all aged households. Those 85 and over have virtually no hope of improving their economic condition. This reality distinguishes the elderly poor from others in poverty.

Those 85 and over have little opportunity to escape poverty through the two most common means, namely a decent job or marriage. In fact, the elderly become poorer as they age, because their income from private pensions and savings has eroded over time by inflation; because they must deplete their assets to cover their expenses, especially medical expenses; and because they lose income as the result of the death of a spouse.

The oldest-old are especially likely to have significant health care needs. Almost half of those aged 85 and over report needing help in one or more activities of daily living as compared with 28 percent of those aged 75 to 84. Chronic conditions, such as hypertension, arthritis, and hearing and vision problems, are prevalent among those 85 and up. For those who are over 85 and poor, they are more likely to suffer from hypertension, arthritis, and heart disease than the nonpoor.

The number of persons 85 and over is rapidly increasing. Unfortunately, the poverty rate for those over age 75 is not expected to decline over the next 30 years. Without governmental intervention, at least one in five of us will have only impoverishment to anticipate as we approach age 85.

I will now examine current Federal policy and then look at some options for some changes in Federal policy.

Under current Federal policy, the elderly poor have no means for escaping poverty. SSI, the Federal program designed to guarantee the elderly, blind, and disabled the minimum income, provides maximum benefits in 1989 that are 75 percent of the poverty level for a single person and 83 percent of the poverty guideline for a couple.

Persons 80 and over account for 40 percent of the aged receiving SSI benefits. In 30 States, SSI recipients are automatically eligible for Medicaid. In another six States, SSI recipients are automatically eligible for Medicaid but they must file a separate application at a different location. All SSI recipients are eligible for food stamps, but SSI income counts toward the food stamp income standard and thus reduces the food stamp benefit.

Given the restrictive eligibility requirements of these Federal benefits, the tragedy is that only half of the poor seniors eligible for these benefits are actually receiving them. The Congress has previously taken steps to increase the participation rates of the poor elderly in these programs.

As part of the Social Security Act Amendments of 1983, Congress called for outreach activities by the Social Security Administration. In 1977, Congress allowed households composed entirely of SSI recipients to apply for food stamps with a single application at the Social Security office. In 1985, Congress required SSA offices to both inform SSI recipients and Social Security beneficiaries of the availability of food stamp benefits and to assist them in applying.

To date, SSA has issued no regulations to implement either the 1977 legislation or the 1985 amendments, and has denied petitions for rulemaking filed after both legislative actions.

The Social Security Administration has consistently resisted helping the elderly and disabled overcome the barriers to participation in the food stamp, SSI, and Medicaid programs.

The National Senior Citizens Law Center documented numerous instances in 1987 where Social Security offices from Texas to Brooklyn——

Chairman JACOBS. Mr. Pollack, can you summarize rather quickly? You are 30 seconds over your time.

Mr. POLLACK. All right.

I guess with respect to what we would urge in terms of specific remedial action, there are a great number of opportunities, I think, for the Social Security Administration to make applications easier for these means-tested programs that are critically important for that group of people, 85 years of age and over.

They could do this by facilitating the application for the benefits they need the most. Income supplementation through SSI, food supplementation through the Food Stamp Program, and health care supplementation through the Medicaid Program.

Our hope is that the Social Security offices can in effect be a place where there's one-stop shopping for these crucial benefits. Congress has in effect authorized that this be done. To date, unfortunately, the Social Security Administration has not allowed this to take place, and it is our hope that we can see remedial action so that those people who are deserving of benefits and who Congress say are entitled to benefits actually will receive those benefits in due course.

[The statement of Mr. Pollack follows:]

Testimony by

RONALD F. POLLACK
Executive Director
THE VILLERS ADVOCACY ASSOCIATES

before the

SUBCOMMITTEE ON SOCIAL SECURITY
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

Washington, D.C.
May 23, 1989

Mr. Chairman, thank you for the opportunity to testify today. As the director of an organization that advocates on behalf of low-income elders, I would like to commend you for holding this hearing. The oldest and poorest social security beneficiaries will certainly benefit from increased public scrutiny. This is a group truly in need of additional assistance from the Social Security system. In my testimony today, I will describe the circumstances and needs of the oldest old and propose ways in which the Social Security Administration can address these needs.

DEMOGRAPHICS

Clearly, over the years we have made much progress towards eliminating poverty among older Americans. The proportion of elderly persons afflicted with poverty has been reduced from well over one out of three in 1959 to just under one out of eight in 1987. That success is due largely to improvements in both the coverage and benefits of the Social Security program.

But some sobering facts remain:

- The number of older persons with incomes below the poverty line -- about 3.5 million -- has actually increased slightly in each of the last three years, and hasn't declined significantly in more than a decade.
- The poverty rate among elders is the highest among adult age groups. Only the national disgrace of poverty among American children occurs at a higher rate.
- Aged poverty disproportionately affects subgroups -- women, minorities and the so-called "old old."

The two most impoverished groups in our country are children under eighteen and persons over 85--the two groups least able to defend themselves. As of 1987, the poverty rate for children was 20.6 percent. Among those 85 and over, 19.9 percent of widowed men live in poverty; 22.1 percent of widowed women live in poverty; and 32.1 percent of single women who never married live in poverty. Poverty is most prevalent among minority elders. Almost two-thirds of black women aged 85 and older who live alone are poor.

The median income of single persons 85 and older in 1985 was $6,400, only 124 percent of the poverty threshold, and only 78 percent of the median income of singles aged 65 to 74.

The elderly poor depend almost entirely on Social Security and Supplemental Security Income for their income. As of 1987, poor elderly households received 70 percent of their income from Social Security and 11 percent from public assistance (AFDC, SSI or general assistance). By comparison, Social Security accounted for only 42 percent of the income of all aged households. Income from assets and from private pensions provide significant income to many elders, but not to poor elders. Earnings from paid employment are an important source of income for the younger elderly, but not for those aged 80 and over.

Those 85 and over have virtually no hope improving their economic condition. This reality distinguishes the elderly poor from others in poverty. Those 85 and over have little opportunity to escape poverty through the two most common means--a decent job or marriage. In fact, the elderly become poorer as they age because their income from private pensions and savings is eroded over time by inflation; because they must deplete their assets to cover their expenses, especially medical expenses; and because they lose income as the result of the death of a spouse.

The old old are especially likely to have significant health care needs. Almost half of those aged 85 and over report needing help in one or more activities of daily living, as compared with 28 percent of those aged 75 to 84. Chronic conditions, such as hypertension, arthritis,and hearing and vision problems, are prevalent among those 85 and up. Those who are over 85 and poor are more likely to suffer from hypertension, arthritis and heart disease than the non-poor. Approximately one-third of those over 85 and living in the community reported being confined to bed at least 7 days a year as of 1984.

The number of persons 85 and over is increasing rapidly. This group is projected to nearly quadruple in size from 1980 to 2030, and to be seven times as large by 2050. Unfortunately, the poverty rate for those over age 75 is not expected to decline over the next 30 years. Without governmental intervention, at least one in five of us will have only impoverishment to anticipate as we approach age 85.

CURRENT FEDERAL POLICY

Under current federal policy, the elderly poor have no means for escaping poverty. SSI, the federal program designed to guarantee the elderly, blind and disabled a minimum income, provides maximum benefits in 1989 that are 74 percent of the poverty level for a single person and 83 percent of the poverty guideline for a couple. While 26 states supplement the SSI benefit, in only six states does the state supplement raise single recipients' income to the poverty level. Persons 80 and over account for 40 percent of the "aged" receiving SSI benefits.

In 30 states SSI recipients are automatically eligible for Medicaid. In six states, SSI recipients are automatically eligible for Medicaid, but they must file a separate application at a different location. In fourteen states, Medicaid income eligibility requirements are more restrictive than the SSI standards. As the result of the Medicare Catastrophic Coverage Act of 1988, all of the elderly poor will be eligible to have their Medicare premiums, deductibles and copayments paid by state Medicaid programs as of 1992.

All SSI recipients are eligible for food stamps, but SSI income counts toward the food stamp income standard, reducing the food stamp benefit.

Given the restrictive eligibility requirements for these federal benefits, the tragedy is that only half of the poor seniors eligible for these benefits are receiving them. That means only one-third of poor seniors receive SSI benefits; only 31 percent receive Medicaid benefits; and approximately 51 percent of poor seniors receive food stamps.

The Congress has previously taken steps to increase the participation rates of the poor elderly in these programs. As part of the Social Security Amendments of 1983, Congress called for outreach activities by the Social Security Administration. SSA sent a one-time mailing to over 7.6 million potential SSI beneficiaries and continues to send a notice to newly eligible Social Security beneficiaries. The participation rate has not increased significantly.

In 1977 Congress amended the Food Stamp Act to try to increase the participation rate of the elderly and the disabled. Congress sought to lessen the significant burden which elderly and disabled people faced in having to deal with two different bureaucracies in order to qualify for SSI and food stamps. Congress allowed households composed entirely of SSI recipients to apply for food stamps with a simple application at the Social Security office. Congress also provided that eligibility for these households should be determined by using information contained in files of the Social Security Administration. Finally, Congress authorized the Department of Agriculture, in conjunction with the Department of Health and Human Services, to establish procedures for allowing non-SSI households of Social Security beneficiaries to apply for food stamps at SSA offices.

In 1985 Congress renewed its efforts to increase the access of the elderly and disabled to food stamps. Congress required SSA offices to both inform SSI recipients and Social Security beneficiaries of the availability of food stamp benefits and to assist them in applying. To date, SSA has issued no regulations to implement either the 1977 legislation or the 1985 amendments, and has denied petitions for rule-making filed after both legislative actions.

The Social Security Administration has consistently resisted helping the elderly and disabled overcome the barriers to participation in the food stamp, SSI, & Medicaid programs. Last summer, eighteen senior citizen groups from across the country surveyed seniors and Social Security offices to learn about SSA outreach and application assistance activities. The groups found that most of the 6,000 older Americans surveyed had very limited, if any, knowledge about SSI. More than 60 percent of the elders surveyed had never heard a presentation explaining the SSI program. One-third of 31 Social Security District Office managers interviewed had no field staff assigned to outreach and averaged only 13 outreach presentations a year. Such presentations focussed on Social Security, with SSI a secondary subject.

Volunteers from the senior groups were unable to get consistent and accurate information from Social Security telephone workers. The Social Security staff offered a range of responses to identical and seemingly straightforward questions about eligibility, benefits and availability of help with the application process. Especially troubling were the varying answers to questions regarding Food Stamp and Medicaid benefits. When asked whether receipt of SSI should also qualify a person for other benefit programs, such as Medicaid and Food Stamps, only half of the Social Security telephone workers answered correctly, despite the fact that an estimated 80 percent were from states where SSI clients were automatically eligible for these other programs.

The National Senior Citizens Law Center documented numerous instances in 1987 where Social Security offices from Texas to Brooklyn refused to provide low income seniors direct assistance with food stamp applications. As a result, elderly and disabled persons had to endure additional, sometimes physically painful travel on public transportation to apply for food stamp benefits.

Villers Foundation staff in Boston, conducting a concentrated outreach effort last year, frequently found food stamp applications unavailable at local Social Security offices. SSA's failure to implement the 1977 and 1985 food stamp legislation is particularly disturbing since the Food and Nutrition Service pays SSA millions of dollars annually to process food stamp applications.

Most recently SSA has refused to take applications from poor seniors eligible for the new Medicaid buy-in benefit. SSA has refused to do so even in the thirty states where, by agreement with the state, SSA completes the Medicaid applications for SSI recipients. Several Senators, Congressman Waxman, the Health Care Financing Administration and many states have urged SSA to take the applications.

SOLUTIONS

Our oldest Social Security beneficiaries should have the right to live out their lives without facing an increasing probability of impoverishment. We should be able to guarantee our poorest elders more than a fifty percent chance of receiving income assistance equal to 74 percent of the poverty line. SSI benefits should be increased to allow the poor and the disabled to at least cross over the poverty line. Alternatively, Congress could create a minimum Social Security benefit that takes into account total income. Extending such a guarantee involves complex fiscal and jurisdictional considerations. I hope this committee will nevertheless keep that goal within its sight.

There is much work to be done to ensure that poor seniors receive benefits currently available to them. Participation rates for poor seniors in the SSI, Medicaid and food stamp programs should approach 100 percent. This can be accomplished if the Social Security Administration commits itself to significant outreach activities and accepts responsibility for assisting Social Security beneficiaries with applying for other benefits crucial to assuring a minimal standard of living.

The Commonwealth Commission on Elderly People Living Alone and The American Association of Retired Persons recently sponsored outreach demonstration projects at three sites. The three sites processed 97 percent more applications and 58 percent more awards as compared to the previous three years. Techniques employed included intensive media campaigns, training of outreach workers, and community education campaigns targeting potentially eligible seniors.

There is no reason why SSA itself, working with private organizations, cannot duplicate these results. Specifically, I urge you to consider the establishment of a permanent SSI outreach program by the SSA, as proposed by Congressman Matsui recently in HR866, the SSI Benefit Improvements Amends of 1989.

Mr. Matsui's bill would require the Secretary to establish and conduct an ongoing outreach program designed to provide people who may be eligible for SSI with information about the program. Under this plan, notices would be sent by SSA to Social Security applicants and recipients when they reach age 65 and annually thereafter, when they apply for or are awarded disability insurance benefits, and when they are notified that they are eligible for Medicare Part B benefits.

In addition, the Secretary would be required to enter into cooperative arrangements with other Federal, State and private agencies and nonprofit organizations which serve the aged, blind and disabled in order to facilitate outreach services.

A third section requires the Secretary to establish and conduct an ongoing outreach program to disabled and blind children who may be eligible for SSI. Recognizing that different outreach will be needed for this group, the bill requires cooperation with not only the groups mentioned above, but also school systems and social services agencies which address the needs of children.

Finally, the Secretary would be required to evaluate the effectiveness of these outreach efforts and report to the Congress, annually, on the nature, scope and effectiveness of its outreach efforts.

I hope these outreach provisions can be adopted as part of Reconciliation this year.

I hope this Committee will take an active interest in providing funds to SSA for aggressive outreach activities and in overseeing the Agency's outreach activities. The outreach activities should aim to significantly increase participation rates of the elderly and disabled in the SSI, Medicaid and Food Stamp programs.

Furthermore, I urge this Committee to ease the burdens of poor elders by providing them with "one-stop shopping" for those basic benefits. The Committee should direct SSA to comply with the requirements of the Food Stamp Act and facilitate applications by Social Security applicants and beneficiaries for food stamps. Likewise, the Committee should require SSA to process applications for the Medicaid buy-in in states where SSA processes Medicaid applications for SSI applicants.

With these kinds of aggressive outreach activities and application assistance, this Committee will be facilitating a significant improvement in the quality of life of the poorest Social Security beneficiaries. In the near future, we will hopefully be able to guarantee our poorest elders a standard of living better than poverty.

Chairman **Jacobs**. Ms. Glasse, the suggestion you made which intrigues me most is the reduced benefits between the husband and wife whilst they are both living in order that the survivor, usually the woman, might continue to have the same standard of living that was available before the husband's death.

I guess theoretically the idea of dropping 50 percent and leaving 100 percent of the benefit ought to do that. But apparently it doesn't.

I believe that is the case with Federal civil service retirement. The worker can elect to receive a smaller benefit, a reduced benefit, in order to have survivor's benefits at all, but at least that is there.

In your study, do you have any indication of what role the failure of a worker to elect survivorship in a private pension plan plays in the impoverishment of the—let's say in most cases—widow on into the twilight years?

Ms. **Glasse**. Well, we certainly know that there is a much greater likelihood of any person to be in poverty if they depend solely on Social Security for their retirement income. So if they have not received any kind of pension income, then there is a very great likelihood that they will be impoverished.

The new reforms that took place in the private sector of requiring the survivor to sign off on a waiver in order to waive their right for the pension option. That still has not taken effect in our public sector. And there has not been any data, to my knowledge, that has been accumulated within the private sector since the enactment of that law.

But we do know that, prior to the enactment of that law, that there were a very high proportion, over 50 percent of the surviving spouses——

Chairman **Jacobs**. You are referring to ERISA?

Ms. **Glasse**. That's correct. Right. Am I misunderstanding you?

Chairman **Jacobs**. No, no. No, no. The only question was to what extent was the poverty a consequence of the failure of in most cases, let's say the husband, to make that election?

Ms. **Glasse**. I can't give you the exact data, sir. But I can say that, in general, that the people who rely solely on Social Security are at a much greater vulnerability of being impoverished. So if they had no pension income, then, therefore, they are likely to be impoverished.

Chairman **Jacobs**. Well, the staff and I were discussing this before the hearing today, and I must say it is rather stunning that a person would not elect for the reduced benefits in order to provide for survivors.

Ms. **Glasse**. It happens.

Chairman **Jacobs**. If stunning is the right word. Perhaps selfish would fit more closely. But it's stunning to see that kind of statistic.

Finally, your suggestion about at last not zeroing out the woman who leaves the work force for child bearing, child rearing.

Ms. **Glasse**. And care for the aged.

Chairman **Jacobs**. Well, I knew you were going to say that. That's not quite as clear in my own mind, but it's a factor too.

But, in any case, your suggestion rather parallels the bill before Congress, doesn't it, for so-called maternity leaves in the case of private employment because that would be without pay. But, in a sense, the parallel of the analogy is rather exact because, in a sense, the bill that is before Congress on maternity leave prevents a person from being zeroed out, in the sense that the person can go back.

Ms. **Glasse**. Well, yes, if I might respond to that.

Chairman **Jacobs**. Yes.

Ms. **Glasse**. It protects their job, but it doesn't mean that they are included in the Social Security system during that period——

Chairman **Jacobs**. No, no, no, no, no. I wasn't talking about an interconnection financially. I'm just talking about an analogy in philosophy in the two proposals.

Ms. **Glasse**. That's correct. You're correct.

Chairman **Jacobs**. And I think it's a very useful suggestion that you've made, and something we ought to give some very serious consideration to.

I don't suppose you know the price tag?

Ms. **Glasse**. I can't give it to you offhand, sir. But I do know that when you're talking about not zeroing out those years, I can't give it to you, but this is an area where we need to have a greater study.

Chairman **Jacobs**. Yes. We will look into that because I find that rather appealing. I don't think that considering the financial condition we have managed to get ourselves into for various reasons that we could quite afford to continue the credits. Although it's interesting to note that the inception of the Social Security disability program was nothing more than that.

It was simply in the early fifties, under President Eisenhower, it was simply the continuation of Social Security retirement credits after you had been injured and couldn't work. So that by the time you reached retirement age, you would receive the retirement benefits at the same level you would have had you been able to continue working.

So maybe at least if one considered removing the zeroing factor, it might be a good compromise considering the kind of shape Uncle Sam is in right now.

Ms. **Glasse**. Mr. Chairman, if I might comment that England gives up to 20 years of credits for caring for a child and aged relatives. Canada provides 7 years of credits, Social Security credits.

Chairman **Jacobs**. I know.

Ms. **Glasse**. I think you know our health care policies are really shifting much more of the responsibility on to family care givers. And so, at the same time that we're doing that, we should recognize that we are incurring impoverishment or we will be contributing to the impoverishment of many retired older women if we don't provide some kind of cushion there for them.

Chairman **Jacobs**. It's funny you mentioned the United Kingdom. If I remember correctly, when the Falkland Islands war came along, they reduced the equivalent of Social Security benefits by about the price of the war.

Remember that?

Ms. **Glasse**. No.

Chairman **Jacobs**. I mentioned something about Uncle Sam's not being in the chips right now. It's funny.

Ms. **Glasse**. But our Social Security system is sound.

Chairman **Jacobs**. Yes, as long as our economy remains that way.

Well, we thank the panel for its contribution to the record, and call forward the next panel.

AARP, represented by Gwen Bedford, member, board of directors; National Council on Aging, Daniel Thursz; and the National Committee to Preserve Social Security and Medicare, Mary Jane Yarrington, senior policy analyst.

I guess, Ms. Bedford, you're first.

STATEMENT OF GWEN BEDFORD, MEMBER, BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS

Ms. **Bedford**. Thank you, Mr. Chairman.

The American Association of Retired Persons appreciates the opportunity to testify on the oldest and poorest Social Security beneficiaries.

Unfortunately, the statistics show that the older people become, the more likely they are to be poor during their so-called golden years. One in five persons, 85 and older, lives in poverty, and the overwhelming majority are women living alone.

As the U.S. population becomes older, the number of individuals 85 and older is projected to increase more rapidly. Census Bureau data indicate Social Security plays a crucial role in the economic condition of this population. There is a direct correlation between the decline of poverty rates of the aged and the ratio of aged persons who can quality for Social Security benefits.

However, Social Security benefits are lower for the oldest beneficiaries because today's retirees have higher real earnings than those who retired more than 20 years ago.

For the oldest and poorest who do qualify for Social Security, COLA's are extremely important as a means of income enhancement and prevent many from falling below the poverty threshold. There is, however, a unique problem arising from poor Social Security beneficiaries who are held harmless to Medicare part B premium increases. For such individual, Social Security benefit checks remain fixed at the amount they received the prior year because any COLA increase they would have received is used to pay the part B premium.

Many of the oldest and poorest are not eligible to receive Social Security. For these individuals, public assistance represents the only alternative.

Three basic problems prevent poor older persons from receiving cash assistance that would help in eliminating poverty among the aged.

First, Federal SSI benefit level standards are too low. Second, supplemental security income, asset eligibility criteria are so strict that very few meet the requirements. Third, many who could qualify for SSI do not know of its existence.

To help solve these problems for the oldest and poorest Americans, AARP recommends that Congress increase SSI benefit levels to poverty levels, raise asset levels and index them for inflation, and require the Social Security Administration to operate an ongoing outreach program to educate and enroll those who are eligible for SSI.

In addition, the association recommends that Social Security benefit checks reflect a full COLA adjustment for poor beneficiaries who are held harmless from rising Medicare part B premiums.

By examining the causes of the problems faced by the oldest and poorest Americans, AARP believes that this hearing is a necessary first step to a solution. We hope the committee will consider our recommendations. And I will be glad to answer questions.

[The statement and attachments of Ms. Bedford follow:]

STATEMENT OF THE AMERICAN ASSOCIATION OF RETIRED PERSONS

The American Association of Retired Persons (AARP) is pleased to testify today on the oldest and poorest Social Security beneficiaries. We commend the committee for exploring issues affecting these individuals. All too often these beneficiaries are invisible and we need to examine ways to improve the quality of their lives.

AARP specifically recommends that:

- Some small and relatively inexpensive alterations be made to disability definitions and requirements for disabled widow(er)s.
- Widow(er)s receive 80 percent of benefits at age 60.
- Private and public pensions be strengthened for future retirees.
- Social Security benefit checks reflect a full cost-of-living adjustment for poor beneficaries who are "held harmless" from rising Medicare Part B premiums.
- Other low-income assistance programs, such as the Supplemental Security Income (SSI) program, be improved through increased efforts in outreach, raising benefit levels, and liberalizing eligibility requirements.

I. WHO ARE THE OLDEST AND POOREST SOCIAL SECURITY BENEFICIARIES

As one becomes significantly older, the likelihood of falling into poverty increases. Data for 1987 suggest that one in five persons 85 years and older spends her "golden years" in poverty. And these data exclude those living in institutions, such as nursing homes. In the 1980 Census of Population -- the last time the entire population of those 85 and older was enumerated -- 24.4 percent of those 85 and older were living in institutions. With one-quarter of the 85+ population excluded in most of today's statistics, one can conclude that we do not have a complete picture of how the oldest and poorest live today.

The latest "snapshot" of the 85 and older population indicates that the typical person is a white (91.4%)[1] female (69.2%) who is living in her own home (53.1%) and has a physical disability (47.8%). She is widowed (70.0%) and receives Social Security income (74.7%).

Although only three-fourths of those 85 and older in the last Census had any Social Security income, the data for the 75-84 year olds suggest that today's 85+ group is more likely to receive Social Security. Eighty-two percent of those 75-84 year olds in 1980 were already receiving some income from Social Security.

Data from the Current Population Survey for 1986 indicate that, among beneficiaries aged 75 and older, 70 percent depend upon Social Security for at least one-half of their total income. Nineteen percent have no other source of income.

Increased monthly Social Security benefit amounts are often used to suggest that the well-being of all Social Security beneficiaries is improving. But this statistic does not accurately portray the benefit levels of the oldest beneficiaries. Social Security Administration (SSA) data suggest that Social Security income declines with age (see chart 1).

Social Security benefits are lower for today's oldest beneficiaries because those retiring today have higher real earnings than those who retired more than 20 years ago. The average benefit tends to rise because more new retirees are entering the system at higher benefit levels and because those with the lowest benefit levels are dying.

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[1] Percents in parentheses indicate the percentage of those 85 and older in 1980 with that characteristic. These are not compounded effects.

Spousal and widow(er)'s benefits are a function of the worker's benefit levels. Therefore, if the earnings on which the spousal or widow(er)'s benefits are determined are low relative to today's earnings, the spouse's and widow(er)'s benefits will be lower still. This is particularly true for those 85 and older as noted above.

Our nation ought to find and implement solutions to poverty among those 85 and older before the shear number of such persons becomes overwhelming. As the U.S. population becomes older, the population age 85 and older is projected to grow most rapidly. Currently there are 2.9 million Americans aged 85 and older. Their numbers would reach 4.6 million in 2000 and 8 million in 2030. By 2050, when the survivors of the baby boom generation are 85 and older, this group may number 15 million (more than 5 times its present size). This projected increase is largely a result of the assumption that the very old will benefit the most from future mortality improvements. For example, in 1986 women 85 years old could expect to live an additional 7.17 years (5.76 years for men). By 2080 women age 85 can expect to live an additional 10.57 years (8.47 for men).

Not only will the number of those 85 and older increase in the future, but their proportion of the aged population will grow. Currently those 85+ are 9.6 percent of the 65 and older population. By 2080 nearly one-fourth of the population 65 and older will be over the age of 85.

II. ROLE OF SOCIAL SECURITY

Social Security plays an important role in the economic condition of most older persons. As indicated in chart 2, nearly one-half of the income of those 80 and older is in the form of Social Security benefits.

Data from a recent Bureau of the Census study on "Measuring the Effect of Benefits and Taxes on Income and Poverty" for 1986 indicates that nonmeans-tested benefits (Social Security, Railroad Retirement, Veteran's payments, unemployment, and workers' compensation) have even more effect on raising income of those 75 and older than what was reported for all U.S. households. Nonmeans-tested benefits raised the median income of households with members 75 years and older by $7,591 -- a 270 percent increase. The impact was even more dramatic for the poorest households of this age group. Before the receipt of nonmeans-tested benefits, including Social Security, more than one-half of all of the oldest households were in the lowest income quintile of U.S. households. Of the oldest households in the bottom fifth of income distribution, 94 percent received nonmeans-tested benefits, averaging $5,163. These nonmeans-tested benefits (primarily Social Security) quintupled (470%) their income.

Furthermore, the receipt of nonmeans-tested benefits greatly improved the income equality among the households with members 75 and older. The Gini index of income concentration, which is a statistic that varies between 0 (perfect equality) and 1 (perfect inequality), improved from 0.636 before the receipt of nonmeans-tested benefits to 0.465 after the inclusion of such income. This improvement of 0.171 is more than three times greater than the significant improvement that was recorded for all households (0.049). Therefore, one can conclude that nonmeans-tested benefits, which for the 75+ age group is mainly Social Security, do a great deal to redistribute income within the 75 and older population.

Cost-of-living adjustments are extremely important to the oldest and poorest Social Security beneficiaries. Past studies by AARP indicate that anything other than a full COLA will cause many to fall below the poverty threshold. Because the oldest beneficiaries are already among the poorest, a COLA cut is more likely to have a devastating impact on those 85 and older.

There is, however, a unique problem arising for poor Social Security beneficiaries who are "held harmless" to Medicare Part B premium increases. Beneficiaries whose COLA is not adequate to pay the increase in premiums are held harmless, meaning they are not required to pay more for their monthly premiums than the dollar increase in their monthly Social Security benefit checks. For such individuals, Social Security benefit checks remain fixed at the amount they received the prior year. These individuals are then faced with living on an inflation-reduced benefit check. The hold-harmless provision helps low-income beneficaries because their benefit checks are not reduced as premiums rise. But at the same time the provision prevents those in poverty from actually receiving a full, if any, COLA that helps their benefits keep pace with inflation.

Most of those who qualify for Medicaid have the states pay their premium increases. (Most states find it advantageous to "buy in" these individuals to Medicare rather than pay for their benefits through Medicaid.) They do not need to be held harmless and receive a full COLA. But not all of the poor are in the Medicaid program. As the increase in medical costs continues to outpace that for all goods and services, more near-poor Social Security beneficiaries are expected to be held harmless. AARP urges the committee to address these problem which affects the income of the oldest and poorest Social Security beneficiaries.

III.OLDEST AND POOREST WOMEN

As indicated in chart 3 retired worker benefits paid to the oldest female beneficiaries are lower than those paid to oldest male beneficiaries because women tend to have lower paying jobs and shorter working careers. These facts suggest that good employment policies today will accomplish the most in protecting tomorrow's oldest beneficiaries.

Recent changes in the law improved spousal rights under most pension plans so that spouses would be more equitable treated. There are, however, still gaps in many public pension systems. Certain large groups have been left out of spousal reform legislation and, in some cases, current rules do not protect workers and spouses equally. AARP has strongly supported and continues to support legislation to promote changes necessary to protect fully workers and their spouses who are members of public plans not covered by current law. The Association also continues to support reform and expansion of the private pension system so that it becomes, over time, a more universally available and reliable source of retirement income for older men and women. Of special interest now is the need to ensure that pension plan assets are used to enhance retirement security for workers, retirees, and their beneficiaries.

Two-thirds of all retirement pension recipients were 65 years old or over in 1984; 41 percent were age 70 or older. The mean monthly pension income received by 70+ male retirees was $455, 38 percent higher than the female retirees mean of $330. The receipt of Social Security benefits however narrows the gap between the two sexes. The combined mean pension and Social Security income for retired men 70 and older was 24 percent higher than combined pension and Social Security income for retired women 70 and older ($945 per month compared with $763).

Many of the oldest-older women's Social Security benefits are based upon their spouses' earnings because benefit calculations based upon their own earnings records are much lower than their spousal benefits.

In Eighty-five Plus: The Oldest Old the authors Bould, Sanborn, and Reif discuss how the 85 and older women are very likely to be "losers" in two "lotteries": The marriage lottery and the pension lottery. As the previous statistics indicate there are very few winners in the 85 and older group. The majority of the group are widows with small Social Security benefits and no survivor pension benefits.

Social Security is a gender neutral system. Unfortunately, because of changes in demographics and economics, this neutrality has negatively affected some women. Research from SSA and others documents that the income of older women, particularly widows, is lower that that of men or couples. It should be noted, as well, that older single women fare as badly, if not worse than widows. Thus, in this discussion of the oldest and poorest, it is useful to examine the possibilities for change by targeting specific groups of older women.

In any discussion of the oldest and poorest it is important to remember that if one is able to work, it is possible that some financial problems can be addressed. But long-term poverty is most likely to result if one is an older widow(er) and not able to work because of an illness or disability.

While amendments to the Social Security Act in 1967 made disability benefits available to certain disabled widow(er)s, the requirements to receive cash benefits for disabled widow(er)s differ significantly from those for disabled workers. Specifically:

1) The definition of disability is more stringent for widow(er)s, requiring total inability to work as a prerequisite for entitlement; whereas, disabled workers qualify for benefits when an impairment prevents substantial gainful activity.

2) Disabled widow(er)s are not eligible for benefits until age 50; whereas, there is no age limitation for disabled workers.

3) Entitlement for a widow(er)'s benefit is based solely on medical evidence; whereas, in the determination for disabled workers age, education, and work experience are also considered.

Women are most affected by these stringent criteria. Of the 106,000 receiving disabled surviving spouse benefits, 99 percent are women. Disabled widows receive an average benefit of $335.80, while disabled widowers receive an average benefit of $199.20.

The long-term trends show the number of disabled widows will diminish as more women enter the paid labor force and earn disability coverage on their own record. However, for the few that qualify as widows only, there are some small and relatively inexpensive alterations that would use the definition as that used for disabled workers.

- o Allow the consideration of age, education, and work experience, in the determination of disability.
- o Include the word "substantial" in the definition of inability to work.
- o Eliminate the age requirement for entitlement to benefits.

Although such proposed changes do not improve the economic condition of those currently receiving benefits, their enactment would ameliorate conditions for future disabled widows and may prevent them from slipping into poverty.

While it is acknowledged (by allowing retirement at age 60) that a widow may need income before age 62, the reduction in the initial benefit for taking this early widow's benefit is significant -- the difference between 80 percent of the spouse's benefit at age 62 and the 71.5 percent benefit at age 60. These few percentage points could be particularly important at the lower end of the benefit range. AARP recommends that all widow(er)s receive 80 percent of benefits at age 60.

IV. RELATIONSHIP BETWEEN SOCIAL SECURITY AND POVERTY

Although there is a direct correlation between the decline of poverty rates of the aged and the percentage of aged persons who can qualify for Social Security benefits (see chart 4), not all of the poorest and the oldest receive Social Security benefits. For example 70.9 percent of those aged 65 and older who receive public assistance through the Supplemental Security Income (SSI) program also receive Social Security benefit checks. Further only 56 percent of the aged who are in poverty receive SSI benefits (see chart 5).

It is difficult to identify improvements that can be made to the Social Security that will directly improve the benefits of those 85 and older who are also poor. Much has been done already. These individuals benefited from provisions that are no longer available to current workers. For instance, these older beneficiaries who understandably needed fewer quarters of coverage to be fully insured, were required to have 6 quarters of coverage. Also, all workers, even those with the minimum required quarters, were assured of a minimum benefit level. This was eliminated for workers retiring after December 31, 1981; exceptions were made for workers who have many years of covered employment at low earnings and for certain members of a religious order who are required to take a vow of poverty.

Since SSA data do not have information about the total money income of Social Security beneficiaries, it is not feasible to do the obvious -- increase the benefits of individuals born before 1905 who have incomes below poverty thresholds. Further, a direct means testing of Social Security benefits would seriously undermine the basic social insurance principles of the program.

The most effective way to eliminate poverty for this oldest group is through public assistance programs. But these programs also fall short of providing for the needs of aged persons in poverty.

V. LOW-INCOME ASSISTANCE PROGRAMS

Three basic problems prevent poor older persons from receiving public assistance that would help in eliminating poverty among the aged. First, federal benefit level standards for cash assistance (e.g., SSI) are so low that it is impossible for these individuals to receive enough cash to meet their basic needs. Second, asset eligibility criteria are so strict that relatively few are able to meet the criteria. Third, many who could qualify for the programs just do not know that assistance is available, or if they know about the program, the knowledge about requirements is inaccurate.

Low benefit levels and strict eligibility criteria prevent the two lines in chart 5 from meeting. The intersection of the two lines would mean that "official" poverty among the aged had been eliminated. But even if benefit levels were raised and asset requirements liberalized, information about the programs would inhibit the elimination of poverty.

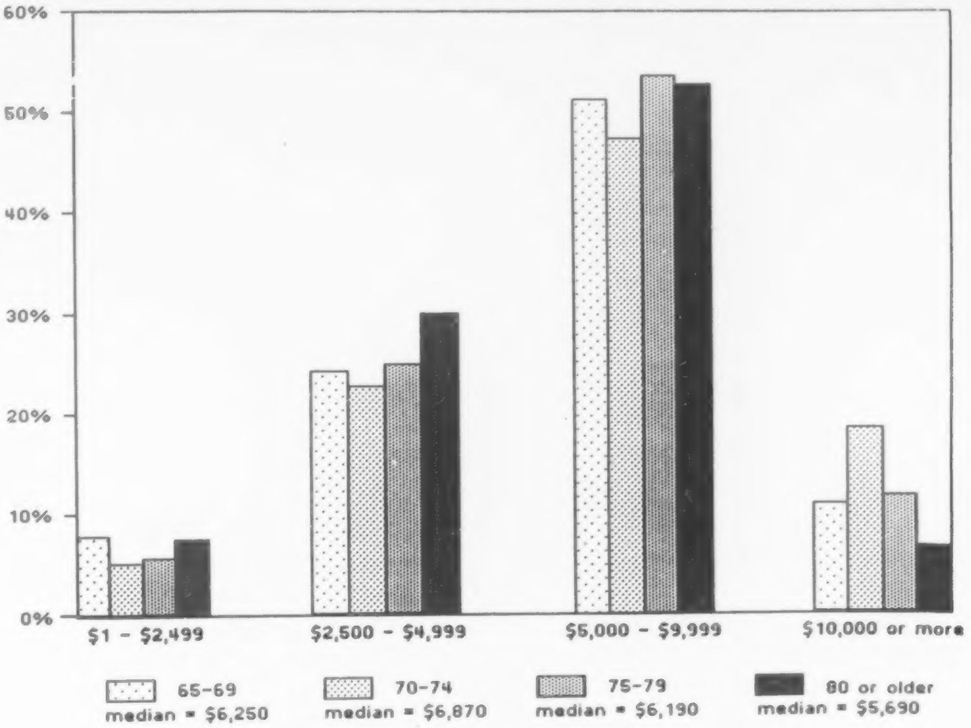
To help solve these problems for the oldest and poorest Americans, AARP recommends that Congress increase SSI benefit levels to poverty levels, raise asset levels and index them for inflation, and require the Social Security Administration to operate an ongoing outreach program to educate and enroll those who are eligible for SSI. AARP has demonstrated a successful SSI outreach program and believes much can be done to help those who are currently eligible but do not participate because they do not know about the program.

VI. CONCLUSION

AARP recognizes that eliminating poverty among the oldest and poorest Social Security beneficiaries may be difficult. We believe that by examining the causes and possible solutions, this hearing is a necessary first step. We hope the committee will consider our recommendations.

Chart 1

Income from Social Security Benefits by Age: Percentage Distribution of Persons Age 65 and Older, 1986

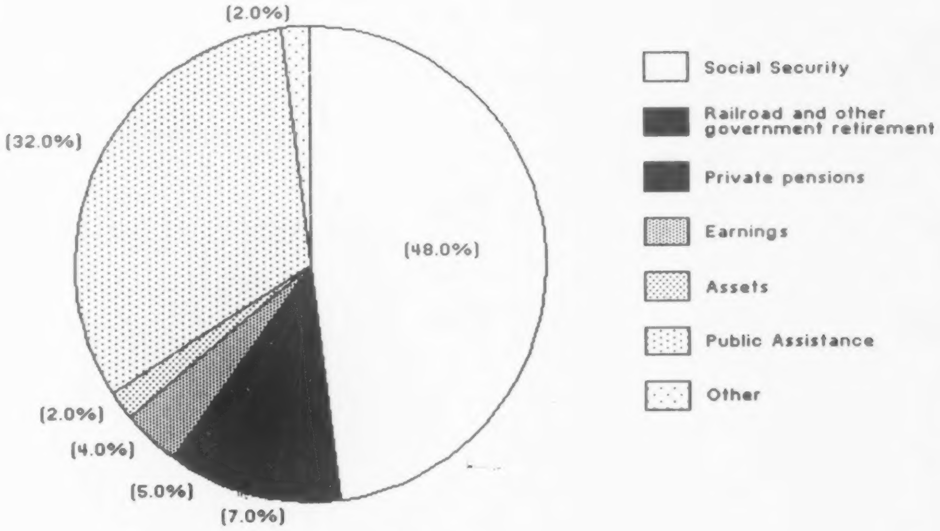


Prepared by Public Policy Institute, AARP
Source: Social Security Administration Data, 1988

MS/5/89

Chart 2

Shares of Income, 80 Years or Older, 1986



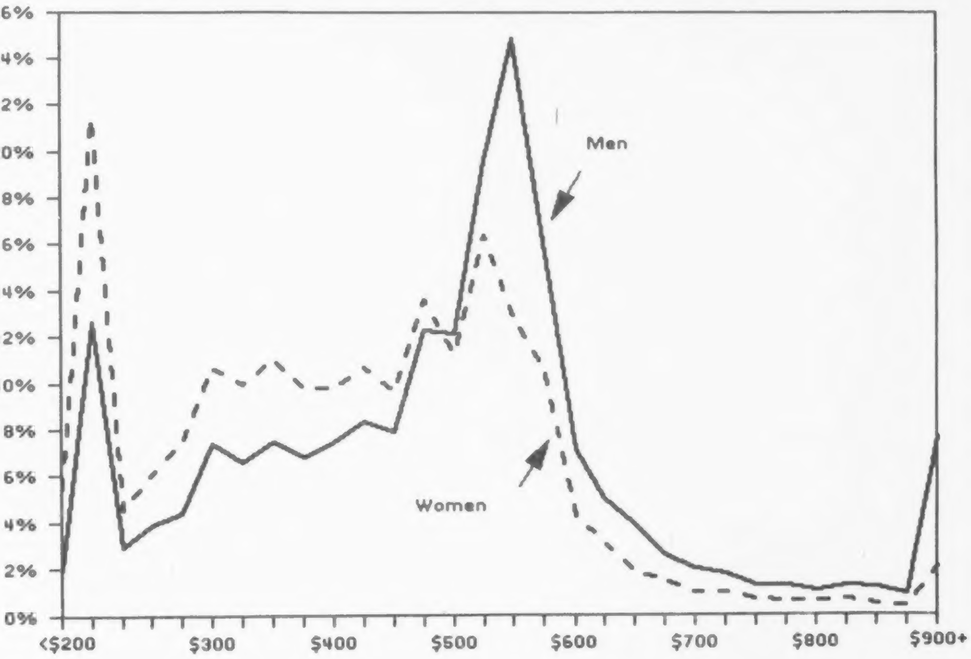
Source: Social Security Administration, SSA Publication No. 13-11871, June 1988

Prepared by: AARP, Public Policy Institute

KKS/5/89

Chart 3

Retired Worker Social Security Benefits by Sex: Percentage Distribution of Persons Age 85 and Older, 1987



Prepared by Public Policy Institute, AARP
Source: Social Security Administration Data, 1988

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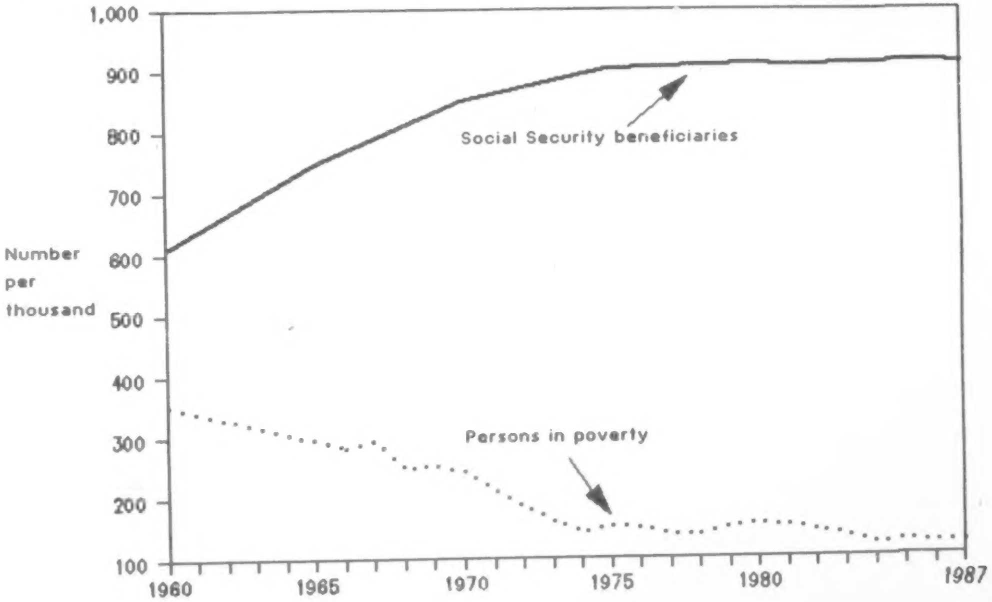
Chart 4

Aged Persons in Poverty and Social Security Beneficiaries



Source: Social Security Administration and Bureau of the Census
Prepared by Public Policy Institute, AARP

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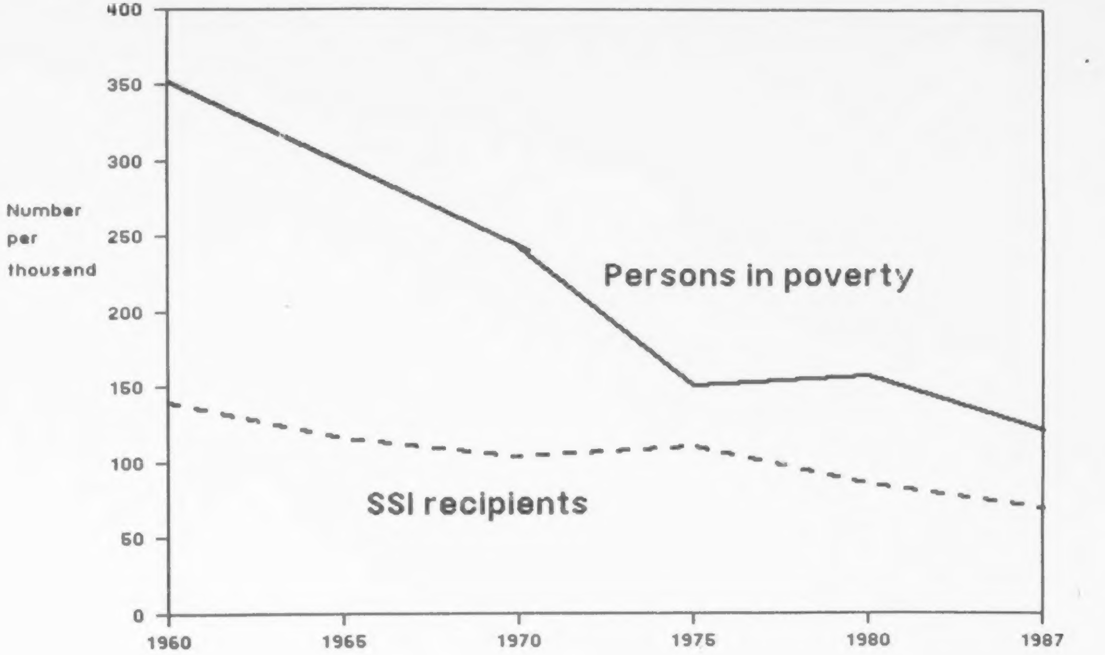
Chart 5

Aged Persons in Poverty and SSI Recipients



Prepared by Public Policy Insitute, AARP
KKS/4/89

Chairman JACOBS. Thank you, Ms. Bedford.
Mr. Thursz.

STATEMENT OF DANIEL THURSZ, PH.D., PRESIDENT, NATIONAL COUNCIL ON THE AGING, INC.

Mr. THURSZ. Thank you, Mr. Chairman.

With your permission, I am submitting the testimony of the National Council on the Aging and I will not read it except to emphasize some basic tenets or conclusions that one receives from the research that has been done. And let me emphasize these and then go on to some specifics.

One, it is clear that longevity correlates with increasing poverty. The older you are, the more likely it is that you will be poor.

Two, private pensions, Social Security, and assets provide, in real terms, less for the oldest compared to the younger old.

Three, the need for some support for common activities of life increase over time.

And, four, women, single persons, minority group persons, lifetime poor persons, persons who held marginal or low-paying jobs find themselves at greatest risk as they age.

I want to focus, if I may, Mr. Chairman, in the time available, on that million or so persons, who are both over 85 and in the poverty population, most of whom, as you know already, are women. They are the poorest of the older poor, and they live alone. And what is most frightening is that we know that at least 50 percent of them are eligible to receive SSI even though that is still an inadequate support. And we know that attempts to notify them have been limited.

In 1984, a one-time mail alert was mailed to 7.6 million aged Social Security beneficiaries with low benefits who might have been eligible for SSI. The results are striking. Two percent contacted the SSI offices. Out of 7.6 million, 160,000 made contact with SSI. One percent, 79,000, applied for SSI, and 0.7 percent, 58,000, were awarded SSI benefits so that you had less than 1 percent benefiting from what was a major outreach attempt by the Social Security Administration.

It seems to me that we need to find some other ways to contact people, 85 and over, that go far beyond what has been planned so far. As you know, the Older American Act calls for the expenditure of $10 million this year and next year to reach out to these people. I suspect that such an underfunded effort again would be inadequate.

And it seems to me that the contact is not only needed for SSI benefits, but is also needed for social services of all kinds. And we may have come to a point where we need to reexamine again what can be done as part of the 1990 census to alert local communities to the existence of difficult, if not desperate, situations in their local community.

We need to do this with concern for the possibility of invasion of privacy but, frankly, between invasion of privacy and the saving of a life of an isolated older person, if we find someone who is starving, who is living in an impossible situation, we somehow should try to put up a red alert.

And so we need, in my view, to begin to look at something like the census, which might take place every couple of years, by which we take an assessment in the Nation of that million or so of the very old poor. We should begin to examine ways in which we can provide a simple assessment that calls the attention of the local volunteer and public agencies to the need for some kind of aggressive service to rescue that person, and for the need for financial aid that may indeed be available through SSI.

So that what we think we need is to begin to approach the problem of those 85 and older who live alone in way that gives us not only statistics, which are helpful in making policy, but provides us with a set of yellow and red alerts that will call into action the private, as well as the public, network.

Let me simply add that we cannot look at the need of that population without recognizing that these services are now at the breaking point. We have reduced our ability to provide service at the local level, both public and private, to such an extent that unless we add to that capacity and unless we find a way to bring forth a thousand lights of help, we are going to be in trouble.

[The statement of Mr. Thursz follows:]

TESTIMONY OF

DR. DANIEL THURSZ, PRESIDENT
THE NATIONAL COUNCIL ON THE AGING, INC.

Mr. Chairman and Members of this Subcommittee, my name is Daniel Thursz and I am President of The National Council on the Aging. The NCOA is the nation's oldest organization of professionals and public and private agencies providing services to older adults and their families. Our members work in all of the states and they serve upwards of ten million older citizens annually in senior centers, employment programs, adult day care centers, community-based long term care programs, elderly housing and rural service agencies. Our members also include concerned citizens and advocates speaking out in behalf of public policy and private sector practice which support economic and social justice for an aging American population. Over our forty year history, we have taken leadership in support of abolishing poverty not only among the old but also among children, youth and the middle-aged. We serve as a co-founder, with the Child Welfare League of America, of Generations United, a coalition of more than 110 national organizations representing children, families and the old, advocating fair national policies and resource allocations in behalf of all generations. Thus, although this hearing is about poverty among the oldest old, we are equally concerned about the needs of their children and grandchildren who may face similar problems and income deficits. The problems of poverty are all too often systemic and cross generational.

Mr. Chairman, this Subcommittee has already reviewed information provided by the Congressional Budget Office and the Social Security Administration regarding the economic status of the oldest old. NCOA is already aware of the basic character of that data which shows:

- longevity correlates with increased poverty;
- private pensions, Social Security and assets provide, in real terms, less for the oldest compared to the younger old;
- the need for some support for common activities of life increase over time;
- women, single persons, minority group persons, lifetime poor persons, persons who held marginal or low-paying jobs find themselves at greatest risk as they age;
- the social service resources for this growing population have been declining over the past decade.

The membership of The National Council on the Aging lives with these problems daily. Senior center directors find their clientele "aging in place," becoming more frail, less physically and economically able to participate in local center programs. Social Service funds are increasingly directed to their needs to the detriment of younger and more active older citizens trying to maintain health, vitality and community involvement.

Community based long-term care programs, without the support of a funded national long-term program must turn away the poorest of the old who lack the finances to help pay for services.

Our national employment initiative, the Senior Community Service Employment Program, funded under the Older Americans Act, can serve only one eligible person in a hundred, looking for work at ages 55, 65, 70 and above.

Our caregivers program increasingly must encourage employers to adjust personnel policies to allow middle aged staff time off to care for their 80 and 90-year old parents.

Many of our elderly housing program sponsors report that the oldest of their tenants have an increasing difficulty in paying even minimal rents.

Mr. Chairman, to engage in services to older Americans today guarantees that the needs of the oldest old must be given the very highest priority. And, we believe that the needs are both income and service related.

For the eight in ten over the age of 85 not living in institutions but who are also poor, the need is clearly for more income adequacy which is key to functioning in this market society. Making choices and purchasing goods and services helps to maintain autonomy at a time in life when we face increasing limits on our day-to-day options.

But, our experience in NCOA also tells us that even with at least minimal income adequacy, at levels above poverty or even double or triple the level of poverty, many and even most adults at ages of 80 and above, also need community based and available services to meet their everyday needs.

Even at twice the poverty level, $14,000 annually, adequate housing with congregate services such as meal preparation, transportation and health screening, is not available without public investment or subsidy.

An income of $10,000 for an individual will be quickly eroded with out-of-pocket medical costs approaching $1,800 or $2,000 a year, even with Medicare. A few months of home health services would be beyond the means of a couple living on $20,000.

Mr. Chairman, these are critical services, not readily available at affordable prices from the private market. Even if we could guarantee at least a poverty level of income for the oldest old, it would be a hollow victory for most.

NCOA supports a variety of actions which will serve in both the short and longer term to meet many income and service needs of today's oldest poor and those at risk of joining them. All will require increased resources, increased targeting and a level of political commitment which we have not seen in the recent past.

We can bring older poor people to at least the poverty level in two ways. We can increase Supplement Security Income federal payments to the poverty level, while adjusting assets limits. This would be of immediate relief to the 40 to 50 percent of the elderly poor who now participate in SSI. A benefit adjustment to that level would aid in increasing participation as would an end to the penalty for living in the household of another.

To reach the many others among the eligible older poor, we recommend a massive outreach campaign that would call upon the participation of American business, unions, public utilities, church groups, youth groups, the media and others to attract higher participation, especially of the more isolated oldest of the poor.

Or, the Congress might consider a more direct and more efficient method. Over 80 percent of the elderly poor receive some level of social security cash payment. Would it not be feasible to consider phasing in benefit increases starting at age 70 or 75, to bring all recipients to at least the poverty level by the time they reach 85? Would not the off-set of SSI federal payments cover some of these costs?

I think that such an approach might make sense in the face of the almost inevitable deterioration of the economic position of very old people within a dynamic economy in which benefits are based on prior wage levels. We would, of course, still have to mount a drive to find the non-Social Security related older poor. But the task may be simpler and perhaps more manageable.

We urge the Congress to look again at our employment policies as they affect older workers. Let's lessen some of the disincentives such as the earnings test and begin to reward those who stay in the workforce with a delayed retirement benefit enhancement that goes to eight percent within five years and not wait until 2009. Let's really open our Job Training Partnership Act program to 40, 50 and 60 year olds so that they can keep competitive skills. Let's really enforce the Age Discrimination in Employment Act.

Mr. Chairman, let us get on with the business of designing a community based, long-term care program that will not drain the assets of the old and the financial and emotional assets of their families as well.

I can think of no more appropriate get well gift for Senator Pepper and for the elderly of this nation than passage of comprehensive long-term care legislation this session.

We can do more:

- wider protection for private pension entitlements;
- deeper public investment in elderly housing for low and moderate income persons;
- increases in the budget for the Older Americans Act;
- expansion of comprehensive health services for all ages;
- restoration of the financing of the Title XX social service bloc grant program.

Mr. Chairman, this hearing has been timely. It will take effort and new resources to meet these needs. But, I think that they are manageable and, if we start, we can construct the needed reforms over the next few years. If we wait, we may find our income security and social service systems overwhelmed by the growth in the population of the oldest old. That would serve neither the national interest nor the requirements of a caring society.

Thank you.

Chairman **Jacobs**. Thank you very much.

Ms. Yarrington.

STATEMENT OF MARY JANE YARRINGTON, SENIOR POLICY ANALYST, NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

Ms. **Yarrington**. Mr. Chairman, I am Mary Jane Yarrington, senior policy analyst for the National Committee to Preserve Social Security and Medicare.

Before joining the National Committee, I spent more than 30 years on the Hill here answering constituent correspondence and that is how I learned my law. I spent 12 years with the former chairman, Al Ullman.

The National Committee wants to commend you, Mr. Chairman, for holding this hearing to look at the adequacy of the Social Security program in meeting the needs of the old.

There are multiple and complex reasons for poverty among the old. Your look at the problems is a first step to solutions. Your work also lays the ground for better SSI.

The Commonwealth Fund's report "Old and Alone and Poor," captures the problem in their title. Ultimately, to be old is to be alone, and to be alone is to be poor. These individuals need an immediate increase in SSI, an increase in allowable resources, and increased outreach as the other witnesses have testified. That was the Commonwealth Fund's recommendation, and we wholeheartedly endorse it.

There are limits to the ability of Social Security to solve these problems because Social Security must maintain a balance between equity and adequacy. Social Security can't sort out the poor and respond just to their needs. And it can't fully redress the lifetime wage discrimination suffered by women and by minorities. An across-the-board increase in benefits for those over age 85, for example, would result in higher average benefits for them than anybody born since 1916, on average.

Changes to alleviate poverty can be made within the concept of social insurance. One of the problems you are addressing already is the Consumer Price Index. Are we using the right one? Are either of the indexes correct? Do they measure the market basket of goods and services used by the elderly?

If they do not, then the cumulative effect of inadequate COLA's impacts most heavily on those who have lived the longest.

We are making a number of modest recommendations which, taken together, could make some differences. Our recommendations don't exclusively benefit the oldest-old, but they will improve both equity and adequacy, and they will have a beneficial impact on the oldest-old, particularly widows.

The first change I would recommend is that we take another look at the computation based on earnings of men born before 1913. Men were discriminated against. They had to count 3 extra years of earnings. If we could look backward and eliminate those 3 extra years of earnings required to compute men's benefits, their widows would be a little better off too.

There is an old-start benefit formula based on earnings before 1951. And if you have to compute your benefits on earnings before 1951, the very maximum benefit payable is $456 a month. If you took an early retirement, it's not that much. And it is not $456 unless you earned maximum earnings in every year that you must count.

For comparison, workers who retire today on maximum earnings over their whole life can receive up to $899 a month this year. Only 4 or 5 percent get maximum benefits.

This subcommittee, Mr. Chairman, might look at the old-start benefit formula to see if perhaps old earnings could be indexed. I doubt they can be recomputed. But you could look at a few of them, and then do a benefit increase on a percentage basis to index old benefits to bring them up to date.

We now have a national policy of impoverishing disabled widows. Benefit restrictions which were enacted in 1967—and, yes, I was there—apply only to widows and widowers. There was a promise that those benefit restrictions would be reviewed. That has never been done. The subcommittee system was established after that. There was no legislative history. And the members have never looked at those restrictions. They result in an average benefit this year to a disabled widow of $345 a month.

Dependent parents and adult disabled children are another problem. There is no reason that they aren't compensated at the same level as widows. We simply forgot to bring them along when we raised the level of benefits for widows. As sole survivors, they should be getting 100 percent of the worker's benefits.

And the special minimum which you have already talked about could permit extra years to be counted. The greatest number of years that can be counted now is 20. You have low-income workers who never leave the work force. They work for 50 years, but at their very low wages, nothing happens after they cross that 30th year. And I might add that the minimum wage is so low, that you can work full time at the minimum wage and not earn a special minimum year.

I will be happy to answer any questions.

[The statement of Ms. Yarrington follows:]

STATEMENT OF THE NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

Mr. Chairman, I am Mary Jane Yarrington, Senior Policy Analyst for the National Committee to Preserve Social Security and Medicare. Approximately ten percent of our members are age 80 and over.

The National Committee wants to commend the Subcommittee for looking at the adequacy of the Social Security program in meeting the needs of the oldest and poorest of beneficiaries. The Subcommittee is taking a first step by examining the multiple reasons for poverty among the oldest-old. Some of the reasons for the poverty of the oldest-old can be traced to low initial benefit awards as a result of formula problems that have been overlooked. Some of the reasons can be traced to the inadequacy of family benefits, especially for widows.

The reasons for the poverty of the oldest-old are complex. The National Committee is making a number of modest recommendations which taken together could make a major difference in cutting into the excessive poverty rate of the oldest-old as well as reducing the number of those who would otherwise join the ranks of the impoverished as they age. These recommendations not only will improve benefits for the oldest-old, but will also improve the equity of the Social Security program.

Before coming to the National Committee, I spent thirty years responding to constituent requests for help while working for members of Congress, including twelve years with former Ways and Means Committee Chairman Al Ullman. Many of our recommendations are the fruit of that experience which frequently exposed the failure of Social Security to respond fairly to all beneficiaries.

The Subcommittee's work will also further lay the ground for improvements in SSI and expansion of long-term home health care. While outside the jurisdiction of the Subcommittee, these initiatives would have a dramatic impact on relieving the poverty of the oldest-old.

The Commonwealth Fund, in their report *Old, Alone and Poor* captured in that title the problem you are addressing today. To be old is to be alone, and to be alone is to be poor. The oldest and poorest need an immediate increase in SSI to the poverty level, a modest increase in excludable resources, and an intensive outreach effort to encourage eligible older individuals to apply. That was the Commonwealth Fund's recommendation and it is one to which we give our whole-hearted endorsement.

We must also recognize the limitations of the Social Security program in addressing the problem. Social Security must continue to maintain a balance between equity and adequacy. Social Security cannot sort out the poor among beneficiaries and respond only to their needs. Women and minorities have suffered a lifetime of wage discrimination and consequently their benefits are lower on average. The burden of solving this problem, however, cannot be solved by Social Security alone.

SOURCES OF THE PROBLEM

Why and to what extent has the Social Security wage-replacement program failed to meet the continuing needs of seniors and families as they age?

All of the aged are not poor, and all of the poor are not aged. Average $505 a month Social Security benefits to 85-to-89-year-old retirees, are virtually identically to benefits being paid to notch year retirees. Average $479 a month Social Security benefits to 85-to-89-year-old widows are only $20 less than benefits to 65-to-69-year-old widows. But disabled widows $135 a month worse off. Poor is poor, whatever the age.

To begin to come to grips with poverty it must be recognized that sex, disability, and living arrangements are at least as important as age in determining who is poor. Even more troubling is the compounding factor of race. The Social Security Administration's Annual Statistical Supplement table of average benefits paid at the end of 1987 provides ample evidence of the multiple factors affecting poverty rates.

TABLE I
Average Benefits By Selected Group, 1987

	White	Black
Age 85 to 89		
Men retirees	$532.70	$427.60
Women retirees	464.50	353.50
Widows	466.80	348.10
Parents	396.20	350.60
Age 95 or older		
Men retirees	$411.60	$307.90
Women retirees	378.10	290.60
Widows	411.60	310.10
All Ages		
Retired workers	$521.30	$428.00
Widows	478.00	370.80
Disabled widows	335.80	288.10
Divorced wives	272.10	236.00

Fifty years ago, families were not as frequently split by breakup, by children relocating across the country from where they were raised, or by seniors, themselves, moving to new areas after retirement. Today's seniors are living longer. The low birth rates of the depression years mean there are fewer children to share the care of aged parents. Increasingly more common, we have retirees who are the youngest-old caring for the oldest-old. And the youngest-old, themselves, may have inadequate retirement income and may live in housing too small to accommodate aged parents or other aged relatives.

Every member of our society who lives to old age can anticipate several years of living alone. It is usually women. Unless Social Security changes, those years will be in poverty. Today's impoverished 85-95 year-olds will be replaced by today's 65-75-year-olds and they, too, will be impoverished. If poverty is not going to be the price paid for being the sole survivor in a family, Social Security must provide better family protection.

Though it is almost 54 years since the Social Security Act was signed into law, the program is still two years away from maturity. Many occupations were not covered until 1951; some occupations even later than that. Workers whose occupations were not protected by Social Security for major portions of their work lives often have low benefits for this reason. Prosperous years before 1955, for example, are irrelevant if self-employed farmers had poor average earnings from the time farming was covered through the end of their work lives.

A major factor in low benefits which has always received inadequate attention is lack of coverage for work which should be covered. Household and casual labor were brought under Social Security in 1954. Yet, today, householders do not pay FICA taxes and continue to express surprise that the law would require them to do so. Countless thousands of workers have not received Social Security credits and will never receive credits because their employers are not complying with the law. If the problem of non-payment of Social Security taxes was forcefully attacked by public education and enforcement, poverty rates in the future could be lessened.

SOLUTIONS

One of the solutions this Subcommittee is already addressing is the appropriateness of the Consumer Price Index used for cost-of-living adjustments (COLAs). If COLAs used to keep Social Security benefits up with rising prices are not truly reflective of the inflation that seniors experience, the greatest cumulative effect will be on the benefits of the oldest-old.

Other Social Security changes are also needed Every worthwhile correction is not possible, but I would call to the Subcommittee's attention the following problem areas which we believe merit action or further study. These recommendations do not exclusively benefit the over-85-year-olds which are the subject of this hearing, but most of the recommendations will have a disproportionate beneficial impact on the oldest-old, especially widows.

Benefits based on earnings of men born before 1913

The 1972 Social Security amendments removed, one year at a time, a discriminatory provision which required men's Social Security benefits to be based on the average of three more years of earnings than women workers required. But this change was not made retroactive. Social Security benefits to oldest-old workers as well as to their spouses and widows would be increased if that continuing discrimination was removed.

Old-start benefits

Benefits based on pre-1951 earnings, so-called old-start benefits, are determined by a different formula than is used today. Very few retirees qualify for maximum benefits, but for those that do, the maximum old-start benefit of $456 a month is below the poverty line. For comparison purposes, a worker retiring in 1989 who always earned maximum wages could receive $899 per month. If the 2.8 million old-start claims could be isolated, this Subcommittee might wish to review the benefit formula to determine if old earnings could be indexed to bring benefits up to date. Or, if recomputation of old earnings is not feasible, perhaps benefits could be increased by a flat percentage based on a representative sample of recomputed old-start cases to alleviate some of the poverty of the oldest-old.

Disabled spouses and widows

The repeal of our national policy of intentionally impoverishing disabled widows would immediately reduce poverty. Benefit restrictions enacted in 1967, and which apply only to widows and widowers, were to be reviewed when more information was known about the beneficiary population. That review has never been conducted and disabled widow benefits in 1989 average only $345 a month -- well below even inadequate SSI and Medicaid levels.

Spouse benefits should be extended to disabled spouses of Social Security annuitants and to spouses providing care to Social Security annuitants who are so disabled as to require aide and attendance. The National Committee's position paper on disabled spouse and widow equity is attached to this testimony. We ask that it be included in the record of the hearing.

Dependent parents and adult disabled children

Social Security benefits to surviving dependents of wage earners reflect a piecemeal rather than family-oriented approach to their needs. Initially, the maximum benefit payable to any surviving dependent was 75 percent of the wage earner's benefits. In 1961, widow benefits and dependent parent benefits were raised to a maximum of 82.5 percent of the wage earner's benefits. Adult disabled children were left at 75 percent. Then in 1972, widow benefits were raised to a maximum of 100 percent. Parent benefits were left at 82.5.

Parents and adult disabled children living alone have as much need as widows for full benefits. If the Social Security Act were consistent in its treatment of sole surviving dependents, parents and adult disabled children also would receive 100 percent of the deceased wage earner's benefits.

Divorced and separated spouses

Average benefits to divorced spouses at the end of 1987 were only $272 per month. And this already prevalent poverty of divorced spouses will grow ever worse as the number of years of earnings used to determine average benefits increases. Women who are divorced after spending a significant portion of their work lives as homemakers or part-time workers will find it increasingly impossible, because of years out of the work force, to earn Social Security benefits on their own that are greater than the benefits they are entitled to receive as spouses.

Benefits in retirement are intended to replace earnings on which the beneficiary depended during his or her entire work life. Divorced and separated women receive an appropriate replacement of the lifetime earnings on which they depended only when they are widowed.

Special minimum benefits

Because Social Security benefits are based on earnings averaged over a full lifetime, workers with low wages receive low benefits no matter how many years they work. Congress recognized this as a problem and in 1972 established a special minimum benefit formula which is different than the $122 minimum benefit eliminated by the 1981 budget act. Some retirees would be lifted out of poverty if two problems with the special minimum benefit formula were corrected.

The special minimum was meant to help workers who were locked into low-wage work throughout their work lives. Because the minimum wage has not been increased for nearly a decade, minimum wage workers no longer are helped by this special minimum benefit formula. Amending the special minimum requirement to establish a year of full-time minimum wage work as a qualifying year would assure that the formula always benefited those it was designed to help.

Many low-wage workers never fully leave the work force, yet the help of the special minimum formula stops after thirty years of work. Future work years do not add a single penny to benefits. Amending the special minimum provision to count more than thirty years would make it possible for benefit levels to rise above the poverty level.

Delayed retirement credits

Workers who remain in the work force beyond full retirement age receive delayed retirement credits -- three percent per year for workers born after 1916; one percent per year for workers born earlier. These increases are well below an actuarially equitable increase, but even these limited credits for delaying retirement are not added to spouse benefits. Widows who work past full retirement age fare even worse. They receive delayed retirement credits in their own benefits only to see everything they have worked for subtracted from the benefits they are eligible to receive as widows. Poverty among widows could be lessened if widows were able to earn equitable delayed retirement credits in their widow benefits by remaining in the work force.

Dual workers

In recent years, this Committee has attempted to reduce excess benefits by offsets and windfall elimination provisions. But, in the process, some beneficiaries are being short-changed. Women who have earned their own Social Security benefits as well as a public annuity, for example, receive an offset of both benefits from their spouse or widow benefits. The combined offset can be greater than would have occurred if they had earned the same total lifetime earnings under Social Security. Even if they have worked only in the public sector, the offset can be greater than if the same lifetime income had been earned in employment covered by Social Security.

Some disabled individuals who simultaneously worked two jobs, one in employment covered by Social Security and the other in non-covered employment are inadequately compensated. When these dual workers became disabled, their combined benefits were "capped" at 80 percent of their Social Security earnings without regard to their non-Social Security earnings. Case examples have been brought to the attention of the Subcommittee's staff.

Individuals who work sequentially, first under Social Security and then in public employment lose eligibility for Social Security disability benefits after five years. A recency-of-work provision, designed to insure that disability benefits are paid only to persons who leave the work force because of disability, discriminates against workers who move from covered employment into uncovered employment and, possibly, back again.

The National Committee supports universal coverage, but individual employees cannot elect Social Security if they enter non-covered employment. There is no justification for denying Social Security disability benefits on the basis of recency of work to workers who have been continually in the work force. The absence of Social Security earnings during years of non-covered employment combined with windfall elimination provisions are sufficient safeguards against "over pensioning."

There are other program areas which need special review. For example, among today's impoverished, whose economic condition can only be worsened as they reach advanced age, are disabled women whose average 1987 benefit award was nearly $200 less than benefits newly awarded to disabled men ($385 versus $578). This Subcommittee might wish to revisit the 1980 Disability Insurance benefit reductions to study the impact these reductions have had, particularly on heads of households.

Another problem needing attention, which has enormous potential for alleviating poverty among older women, is the inequity of retirement income received by two-earner couples compared with one-earner couples. Benefit increases to improve this situation will be costly, but an increase in benefits to the survivor of a two-earner couple could be considered without a full-scale revision of the current benefit structure.

One of the options for benefit changes cited in the Report of the National Commission on Social Security Reform was an across-the-board ten percent increase for beneficiaries when they reached age 80. Such an approach would do nothing for those with the smallest Social Security benefits because even a ten percent increase would not lift them above the SSI level. An alternative approach might be to provide the current $418 special minimum benefit to all beneficiaries of advanced age. Married individuals, who would then receive approximately $600 a month would be lifted above the poverty line, though never-married or widowed beneficiaries would still be below.

In considering any benefit changes, the Subcommittee will want to keep in mind that for those at the edge of eligibility for other programs, increased Social Security benefits pose a risk of loss of other benefits. Any legislation passed should include a hold-harmless provision to safeguard against loss of other forms of assistance such as food stamps, housing, or Medicaid.

The National Committee's legislative agenda for the 101st Congress has as its theme the strengthening of the American family. Many of the changes I have recommended today are included in our agenda. But I have offered additional suggestions, all in keeping with the social insurance concept of Social Security. These changes could help today's oldest-old Social Security beneficiaries and keep more of today's workers and their families from poverty when they reach advanced age.

Again, we commend the Subcommittee for holding this hearing to address the serious problem of poverty among the oldest-old.

NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE

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SOCIAL SECURITY DISABLED SPOUSE AND WIDOW EQUITY PROPOSALS

The following proposals would provide equity to disabled spouses and widow(er)s by making consistent the Social Security Act's treatment of all disabled individuals.

1. **Repeal the separate definition of disability applicable only to widow(er)s.**

2. **Provide full widow benefits to disabled widows at any age without regard to the deceased spouse's date of death.**

3. **Provide full spouse benefits at any age to disabled spouses of Social Security beneficiaries.**

4. **Provide full spouse benefits to spouses of disabled beneficiaries in need of aid and attendance.**

Background:

Disabled wage earners and adult disabled children are entitled to full Social Security benefits regardless of age. If an adult disabled child who is receiving benefits is in need of attendant care, benefits are paid to a mother providing that care regardless of her age. In these cases, the Social Security Act recognizes that a worker's disabilities or a mother's need to care for a disabled child may preclude her entering or remaining in the paid work force. Benefits are not reduced because these individuals are not yet retirement age. However, disabled spouses and disabled widows are not treated in the same manner as disabled workers nor are spouses providing care treated the same as mothers providing care.

Disabled widows became eligible for Social Security survivor benefits in 1967, but several discriminatory restrictions were imposed with the intent of reviewing the restrictions when more was known about the number of widows who would qualify for benefits. This review has never been conducted.

Disabled widow benefits are not payable until age 50 though a similar restriction initially imposed on disabled workers was removed after four years.

A widow's disability must have its onset within seven years of the wage earner's death (or within seven years of eligibility for mother benefits). The original presumption was that widows should be able to earn their own worker benefit within seven years, but the requirement for increased work force participation to qualify for benefits means that widows in their late 50s could work every day after widowhood, pass the seven year eligibility period for disabled widow eligibility, and yet not have a work history sufficient to provide their own benefit. Moreover, the increasing number of work years which must be averaged for benefit computation means that any benefit for which the widow might qualify would be minimal.

Disabled widows must meet a more stringent test of disability than is imposed on either workers, adult disabled children, or applicants for Supplementary Security Income. Then, in spite of a proven inability to work, benefits are reduced if the widow is less than age 65. Disabled widow benefits in 1989 average $345 a month. As a result, many also must apply for Supplementary Security Income (SSI) which this year provides impoverished disabled or aged individuals up to $368 per month.

It is long past time for removal from the Social Security Act of these multiple discriminations against disabled widows.

The GAO, in their 1988 report *Demographic and Economic Characteristics of New Beneficiaries*, found that 23 percent of disabled workers receiving Social Security disability benefits were either bedridden or wheelchair bound. Yet Social Security does not provide spouse benefits to under-retirement-age spouses who care for them. Nor does Social Security provide benefits to disabled spouses of Social Security beneficiaries until those disabled spouses reach retirement age.

To be consistent, the Social Security Act should be amended to provide disabled spouses of beneficiaries and spouses providing care to disabled beneficiaries the same benefits they would be eligible to receive if they had reached retirement age.

Proposals to provide equity to disabled spouses and disabled widows have been evaluated by Social Security actuaries. The estimated additional five year cost from 1990 through 1994 to end discrimination against disabled widows is $3.2 billion; to provide benefits to disabled spouses of annuitants, $1.9 billion; and to provide benefits for spouses caring for disabled beneficiaries; $3.6 billion. No estimate has been made of offsetting savings in SSI, Medicaid and other public assistance programs.

Disabled spouse and widow equity legislation has been introduced in prior Congresses. Revised bills will be reintroduced in the near future.

5/1/89
Policy and Research Department

Chairman JACOBS. Thank you, Ms. Yarrington.

This panel has made a very useful contribution to the record. I don't know that I have any questions which have not already been asked. And if you have any different answers than the ones already received in consequence of my questions, I would be happy to listen.

Ms. YARRINGTON. I would respond to one if——

Chairman JACOBS. Please do.

Ms. YARRINGTON. ERISA, enacted in 1974, was the first legislation that said you must, in a qualified pension plan, provide a spouse annuity. So that anybody who retired prior to 1974 may not have had the opportunity to buy a spouse annuity, even if it made good economic sense. And as Lou Glasse pointed out, it wasn't until 1984 that we had the Retirement Equity Act to amend ERISA, to say you must have both signatures.

The Federal Government also requires both signatures, and so does the military. Thank goodness.

But people are not taking that option because they have a great misunderstanding of——

Chairman JACOBS. Sure.

Ms. YARRINGTON [continuing]. If there is not going to be a cost-of-living adjustment, many people think of this as less than a good buy. If I take 25 percent less, which is approximately what it requires at average retirement age, and know that there is not going to be a cost-of-living adjustment at all before my death, maybe 15 years hence, I have to ask whether the present value of those dollars is not worth more than the survivor benefit will be worth.

We need cost-of-living adjustments in private pensions.

Chairman JACOBS. Ms. Bedford, you, I think, referred to—yes, you did, referred to income enhancement because of COLA's. The idea of a COLA doesn't give you any more purchasing power. It is only designed to have you float exactly where the currency is. There is a conception abroad that it does enhance a person's income. But if it is an accurate cost-of-living formula, it should neither diminish nor enhance a person's income in terms of what that income can buy in 1 year or another.

Would you agree?

Ms. BEDFORD. I certainly would agree, Mr. Chairman. And I think it also should be pointed out that the cost-of-living is so important at this very low level of income.

I went through a certain amount of very lean years which I was able to recoup fortunately by being able to work for 12 years after I was 60. And I know what it's like to plan on even $5. In this day and year of very much larger salaries than we were able to earn in our early days those small amounts are very important.

And the COLA at the low end I think is very important, and that is why we are so concerned that these people on the Medicare part B will actually be kept at the same level they were the year before by having to use that COLA to pay this Medicare premium.

Chairman JACOBS. Well, I only mention that because it's common usage to refer to COLA's as cost-of-living increases. You see it in the paper all the time. It gives, I think, a false perception. And I might just say for the record that if you'll get down a copy of Eliot's Debates of the United States Constitutional Convention, the only one we have had so far, I guess, you'll find that it was seriously suggested that Federal officials be compensated in grain rather than in units of money for the very serious reason that it would have an intrinsic value and that intrinsic value would remain the same. You would be able to have the same number of kernels of corn right through the years into the latest generation far from Lincoln.

It was rejected, but the idea was fluctuations in currency would not cause arguments about, for example, what the pay of Members of Congress ought to be. Now, I don't know. Our old Hoosier friend, Frank McKinney Hubbard, who wrote the column Abe Martin, once referred to someone who was paid so poorly that if they paid him in iron, he could carry it all right. [Laughter.]

So it wouldn't be too practical today. But I think it is important to underscore the word "adjustment" rather than "increase" when we talk about COLA's.

Now, there are a lot of people such as you mentioned, Ms. Yarrington, people in private pensions, where cost-of-living adjustments is virtually unheard of. Perhaps they're beginning to develop slightly now.

Ms. YARRINGTON. It's about 30 percent, sir, that——

Chairman JACOBS. So a person who retired, say, in the fifties and is still with us has something that doesn't relate to the present economy at all in terms of a pension.

On the other hand, there are a great number of workers in our society who, as you pointed out, have no automatic cost-of-living adjustments at all in terms of the minimum wage. You had a case, ABC I think reported about it 3 years ago, of some men who were working as laborers on the construction of luxury apartments somewhere in Florida, and having done that job a few years in my life, I can tell you it is not the easiest one I have ever done. And it's one of the hardest jobs that you can have in this society. The pick and the shovel remain obstacles to relaxation. And these fellows were earning the minimum wage, or that is to say they were receiving the minimum wage. Chances are they were earning more. And the same market could not afford to live in any kind of housing. They were living in tents out in the woods which made them ineligible for food stamps because they didn't have permanent addresses, cha, cha, cha.

So it is a problem. I suppose if you indexed the entire society, you would have discovered alchemy. You would have repealed inflation which would be a neat trick, and obviously you cannot index the whole society. But the reason that we accept indexation for retirement is that theoretically the game has been placed and you have accomplished what you can accomplish. And you don't have the opportunities of individual initiative or good fortune in work and so on to change your fortune.

But, in any case, I think the word "adjustment" ought to be underscored.

Well, we thank the panel for its contribution. I believe this concludes the hearing.

[Whereupon, at 2:08 p.m., the hearing adjourned.]

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